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A Dictionary of Acquisition and Contracting Terms

by

S. Travis Hayes

Lieutenant, Supply Corps, United States Navy

B. S., Central Missouri State University, 1982

Submitted in partial fulfillment  
of the requirements for the degree of

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## **ABSTRACT**

This thesis is a continuation of research initiated by Lieutenant Commander Daniel F. Ryan, SC, USN to establish a basis for defining words and terms used in the field of contracting. Concurrent research in this area is being conducted by students at the Naval Postgraduate School, Monterey, CA and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Dayton, OH. Published definitions of twenty five terms presently used in Government contracting were examined and a synthesized definition was developed for each term. The synthesized definitions were then scrutinized by a selected group of contracting professionals. Their feedback was used to develop a proposed definition based upon consensus.



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## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
	A.    GENERAL.....	1
	B.    PROBLEM RECOGNITION.....	2
	C.    SCOPE AND ASSUMPTIONS.....	2
	D.    RESEARCH QUESTIONS AND OBJECTIVES.....	3
	E.    RESEARCH METHODOLOGY.....	4
	F.    LITERATURE REVIEW.....	7
	G.    ORGANIZATION OF STUDY.....	8
II.	ANALYSIS OF CONTROVERSIAL TERMS .....	9
	A.    INTRODUCTION .....	9
	B.    TERM ANALYSIS .....	10
	C.    SUMMARY .....	27
III.	ANALYSIS OF NON-CONTROVERSIAL TERMS .....	28
	A.    INTRODUCTION .....	28
	B.    TERM ANALYSIS .....	29
	C.    SUMMARY .....	64

IV.	CONCLUSIONS AND RECOMMENDATIONS .....	65
A.	INTRODUCTION .....	65
B.	CONCLUSIONS .....	65
C.	RECOMMENDATIONS .....	68
D.	RESEARCH QUESTION ANSWER .....	70
E.	GENERAL COMMENTS .....	71
F.	SUMMARY .....	71
	REFERENCES .....	72
APPENDIX A:	PUBLISHED DEFINITIONS .....	75
APPENDIX B:	COVER LETTER AND QUESTIONNAIRES .....	105
APPENDIX C:	PROPOSED DEFINITIONS BASED UPON THE CONSENSUS PROCEDURE .....	120
INITIAL DISTRIBUTION LIST .....		130



## I. INTRODUCTION

### A. GENERAL

The Department of Defense is the largest business enterprise in the world and spends more than 160 billion dollars annually (over \$300,000 per minute) [REF. 1:p. 16]. The Government and industry officials involved in the expenditure and receipt of these funds often utilize and create a special "acquisition" oriented language to assist in the management of these transactions. Although many of these acquisition terms and phrases are used routinely, their meaning often varies from one contracting official to another. When a word does not have an agreed upon meaning, misunderstanding is likely to result. These misunderstandings often hinder the efficient expenditure of public funds. As contracting officers and custodians of these public funds, we must constantly strive to ensure that the defense acquisition system operates effectively and efficiently.

In 1988, Lieutenant Commander Daniel F. Ryan initiated and completed his thesis entitled A Dictionary of Acquisition and Contracting Terms. It was the first step in a continuing effort to improve the defense acquisition system through the development of a common language. Subsequently, students at



the Naval Postgraduate School (NPS) and the Air Force Institute of Technology (AFIT) have continued to focus on synthesizing and standardizing definitions of terms used daily in the acquisition and contracting field.

## **B. PROBLEM RECOGNITION**

The inability of contracting officials to agree on the meaning of various acquisition terms and phrases has contributed to an inefficient defense acquisition system. The contracting profession needs a dictionary which provides clear and concise meanings of acquisition terms and phrases. This dictionary should be a consolidated national effort which utilizes the views of established contracting professionals.

## **C. SCOPE AND ASSUMPTIONS**

This thesis is part of an ongoing effort by the National Contract Management Association (NCMA) to assemble a consensus of specific terms. This is individual research into currently published definitions and validation or modifications of those definitions by members of NCMA. The specific scope of this thesis is to provide proposed definitions to twenty-five acquisition terms and phrases.

The basic assumption of this thesis is that there is insufficient agreement on the specific meaning of terms as they apply to contracting since no source of authoritative contracting definitions exists. It was assumed that consensus was the best method of arriving at an acceptable definition of contracting terms and that any other method would result in an arguably biased product.

[Ref. 2:pp. 7-8]

#### **D. RESEARCH QUESTIONS AND OBJECTIVES**

As a continuation of the previous research efforts the same research questions will be used. The primary research question addressed in this thesis is: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

The supporting subsidiary research questions are:

1. What are the current published definitions?
2. What agreement can be reached from professionals in the field?
3. What definition of terms can be concluded from research and feedback?

The objective of this thesis is to obtain the definition of twenty-five terms which can serve as the foundation of a concise dictionary of terms as they apply to the contracting discipline.

## **E. RESEARCH METHODOLOGY**

The approach used in this thesis was qualitative. It included a literature review, the researcher's personal observations and experiences in the contracting arena (both in the field and in the classroom) and a survey questionnaire. The methodology employed was as follows:

1. Generate a list of 25 candidate terms from previous research in this area. A consolidated list was provided by a contracting student at AFIT.
2. Research published contracting literature and regulations for published definitions and common usage of the candidate terms.
3. Synthesize the published definitions into single definitions and organize them into five separate mailings of 100 each.
4. Mail out the questionnaires to five hundred Certified Professional Contracts Managers/Certified Associate Contracts Managers.
5. Analyze questionnaire responses and arrive at proposed definitions for the candidate terms.

The researcher analyzed and developed proposed definitions for the following terms:

- Acceptable Quality Level (AQL)
- Breakout \*
- Collusive Bidding \*
- Contract Administration Services \*
- Contractor Acquired Property
- Data
- Design to Cost
- Determination and Findings
- Facilities
- Final Cost Objective
- Foreign Military Sales \*
- Functional Specification
- Industrial Modernization Incentives Program (IMIP)
- Last-In-First-Out (LIFO) Inventory Method
- Letter of Intent
- Negligence
- Nonappropriated Funds
- Production \*
- Quality Assurance Program
- Special Tooling
- Testing
- Transfers (Ownership)
- Two-step Sealed Bidding



- Value Analysis \*
- Weapon System \*

Those synthesized definitions for the seven terms marked with an asterisk generated the most comment from the respondents and are analyzed in chapter II. The remaining terms are analyzed in chapter III.

As with LCDR Ryan's thesis, the 25 terms selected for further study were researched for their meanings as expressed in contracting literature, glossaries, American language and law dictionaries, handbooks, textbooks, and Government regulations, directives and instructions. A set of synthesized definitions was produced utilizing the published definitions detailed in Appendix A. These preliminary synthesized definitions formed the basis of the questionnaire detailed in Appendix B.

In his thesis, LCDR Ryan discussed the rationale behind the use of written questionnaires sent to a select representative sample of contracting professionals. The researcher concurs with LCDR Ryan's reasoning that large scale telephone surveys, or questionnaires sent to people on mailing lists of Government and industry contracting personnel were impractical to establish consensus. The researcher further concurs with LCDR Ryan's decision to target the membership of the NCMA and specifically those individuals designated as NCMA Fellows. By surveying people

with significant contracting experience and knowledge, it was hoped to represent the whole body of contracting personnel. [Ref. 2:pp. 13-14]

#### **F. LITERATURE REVIEW**

Twenty-seven references were utilized to provide definitions of the terms as used in a contracting context. Some of the references utilized were: published articles in professional journals, law dictionaries, compendiums, contracting handbooks, glossaries from textbooks, Department of Defense directives and instructions as well as Federal agency regulations.

#### **G. ORGANIZATION OF STUDY**

As with the research effort conducted by LCDR Ryan, the focus of this thesis is to establish the basis for a concise dictionary of contracting words and terms. Once instituted, the dictionary will improve the defense acquisition system by enhancing communication and understanding between Government and industry procurement personnel.

This chapter has provided background information and described the methodology and scope of the research effort which has been a continuation of the research effort initiated by LCDR Ryan.

Chapter II focuses on the synthesized definitions that generated the most feedback from the questionnaires. Each chapter is divided into subsections which begin with an analysis of the definition synthesis process. Each subsection continues with an analysis of questionnaire responses and concludes with a proposed definition, arrived at through consensus. Synonyms and antonyms are also provided to assist in defining the terms.

Chapter III focuses on the remaining non-controversial terms and follows the same format as Chapter II. Chapter IV contains conclusions, recommendations, answers to the research questions, and suggests areas which require further investigation.

## II. ANALYSIS OF CONTROVERSIAL TERMS

### A. INTRODUCTION

This chapter analyzes those terms that were classified as controversial. The classification of each term was accomplished solely by the researcher and utilized several evaluation factors. Some of these factors were:

1. Was the term difficult to synthesize?
2. Did the questionnaire generate a substantial number of recommendations?
3. Was the proposed definition difficult to formulate?

In keeping with LCDR Ryan's methodology, each subsection of Chapters II and III use the same format. Subsection "a" examines the synthesis process prior to mailing the questionnaire. Subsection "b" analyzes the responses to the questionnaire and presents many of the suggestions, recommendations, and comments submitted by respondents. Subsection "c" provides the proposed definitions, along with synonyms and antonyms, that are to be incorporated into a dictionary of acquisition and contracting terms.

Many of the recommendations from the respondents were utilized to arrive at the proposed definitions. This was



accomplished even though a majority of the respondents supported the definitions as synthesized in the questionnaires. In order to maintain the validity of the consensus process the baseline meanings of the synthesized definitions were not changed. Therefore, the consensus that was achieved during the questionnaire process was maintained.

## **B. TERM ANALYSIS**

### **1. Breakout**

#### **a. Definition synthesis:**

The researcher could only find seven published definitions of this term. These definitions centered around two similar themes that were considered equally important by the researcher: (1) defined from an industry perspective, (2) defined from a Government perspective. The researcher's attempt to focus on both themes during the synthesis process resulted in one definition consisting of two parts. The synthesized definition was:

BREAKOUT: 1) The process of removing an item from the category of being procurable only from one source and making it possible to procure the item from additional sources.

2) Execution of an acquisition strategy to convert some parts or systems components from contractor-furnished to government-furnished. The item is procured direct from industry as opposed to having the prime contractor provide the item from its sources.

**b. Results:**

Of the thirty-three respondents, fifteen or forty-five percent agreed with the definition as synthesized. Eighteen respondents (55%) disagreed with either the first or second part of the synthesized definition. Seven or thirty-nine percent of these respondents disagreed with both parts of the synthesized definition and suggested that the researcher make several major modifications. Some of the respondents' suggestions were:

- Replace the first definition with "The process of removing an item from a grouping of items to permit its acquisition from a target set of suppliers (e.g. small business, 8a)".
- Add "...from contractor-furnished to government-furnished or vice versa".
- "I do not identify these definitions with this term. Should be the process of dividing a larger requirement into separate smaller components in order to enhance competition and/or small business opportunities."
- Replace "...only from one source..." with either "...only from limited sources..." or "...from the same source as the major piece of equipment..."
- Add to the end of the first definition "...so as to foster competition and eliminate the risk of single source production".

- Change the second definition to "An acquisition strategy element that provides for converting single source items to multiple source items by a change in the procurement or contract work breakdown structure so that an item or service is no longer provided solely by a single contractor but is instead available from multiple sources. This strategy element can reduce the cost risk through competitive pressures, and has the potential of improving performance and schedule. It also transfers some of the risk of successful completion from the former single source to the Government".
- Definition number one is unsatisfactory because it really defines a competitive breakout which is a special case of breakout. A true breakout includes a single source procurement.
- "The theory here is "selective" vs "general" sources. Remove a procurement from a select or defined source to a general undefined source."
- "It also entails a review and update of the source, maintenance and recoverability codes which indicates where the part is obtained and which maintenance echelons are authorized to remove, replace, repair, and dispose of the part."

The researcher received a large number of responses with suggestions that appeared to vary. It can be seen that immense controversy exists regarding the meaning of this term. The responses prompted major modifications to the synthesized definition. The researcher concurs that breakout "entails a review of source, maintenance, and recoverability codes" but does not believe that this process should be included as part of the published definition. The researcher no longer believes that defining the term from an industry and Government prospective increases clarity and has therefore combined both parts of the synthesized definition into one proposed definition. The researcher utilized the definitions provided by the respondents to develop a published definition since they appeared to encompass the baseline theme of the synthesized definition.

**c. Proposed definition based upon responses:**

**BREAKOUT**

An acquisition strategy element that provides for converting single source items to multiple source items by a change in the procurement or contract work breakdown structure so that an item or service is no longer provided solely by a single contractor but is instead available from multiple sources. This strategy element can reduce the cost risk through competitive pressures, and has the potential of improving performance and schedule. It may also transfer some of the risk of successful completion from the former single source to the buyer.

**Synonyms:** Dual sourcing; Second sourcing.

**Antonyms:** Breakback; Breakin



## **2. Collusive Bidding**

### **a. Definition synthesis:**

The published definitions followed a common theme and did not differ from one another to a significant degree. The synthesized definition was:

**COLLUSIVE BIDDING:** A secret combination, conspiracy, or concert of action between two or more persons for a fraudulent or deceitful purpose. It occurs whenever suppliers agree among themselves to submit identical or nearly identical bids to a prospective purchaser.

### **b. Results:**

Nineteen of the thirty-four or fifty-six percent of the respondents concurred with the definition as synthesized. Fifteen (44%) of the respondents suggested changes. Nine respondents suggested adding the phrase, "or to bid in such a way as to rotate the winning bid among themselves." Some of the other suggestions were:

- Modify the definition to read, "A conspiracy between two or more persons to commit fraud by submitting identical or near identical bids to a prospective purchaser".
- Add "It occurs whenever suppliers of goods or services agree among themselves..."
- Change "persons" to "suppliers or entities"
- Replace "A secret combination, conspiracy, or concert of action..." with "A willful covert agreement..."

- Add "This is a restriction on the operation of the free and open market upon which the success of competition is based. It is both a bad business practice and is illegal. Suspicion of collusive bidding or proposing practices must be reported to legal authorities".
- Add " The parties concerned may not view the action as deceitful or fraudulent. They may consider it good business practice".

Minor modifications were made to the synthesized definition. The word "entities" was added to the first sentence to encompass those organizations which actively participate in collusive bidding. The last sentence was expanded to include "bid in such a way as to rotate the winning bid" since 27% of the respondents suggested this modification.

**c. Proposed definition based upon responses:**

**COLLUSIVE BIDDING**

A secret combination, conspiracy, or concert of action between two or more persons or entities for fraudulent or deceitful purposes. It occurs whenever suppliers agree among themselves to submit identical or nearly identical bids to a prospective purchaser or agree to bid in such a way as to rotate the winning bid among themselves.

**Synonyms:** Bid rigging; Fraud; Fixed bidding

### **3. Contract Administration Services (CAS)**

#### **a. Definition synthesis:**

The researcher did not find many published definitions but those that were found conveyed a common theme that were consistent with the researcher's understanding of the term. The synthesized definition was:

CONTRACT ADMINISTRATIVE SERVICES(CAS): All those actions accomplished in or near a contractor's plant for the benefit of the Government which are necessary to the performance of a contract or in support of the buying offices, project managers, and other organizations. CAS may include:

1. Quality Assurance (Inspection, Acceptance, etc.)
2. Contract Payment
3. Production surveillance, Preaward Surveys
4. Contract Administration (Price/Cost Analysis, Termination, etc.)
5. Property Administration
6. Small Business
7. Program and Technical Support
8. Plant Clearance

#### **b. Results:**

Only eleven or thirty-two percent of the respondents agreed with the synthesized definition. Twenty-three or 68% of the respondents recommended that the synthesized definition be modified to improve clarity. Some of the recommendations were:

- Delete "...in or near a contractor's plant..."
- Replace "...for the benefit of the Government..." with "to assure compliance with the terms and conditions of the contract by both the buyer and the seller".

- Cite the Federal Acquisition Regulation reference which provides a detailed list of contract administration services.
- Do not use "CAS" as it may be confused with the abbreviation for "cost accounting standards".
- Explain that this is mainly Government oversight or interference with the contractor.
- Change definition to "Contract administration includes all relationships between the Government and contractors which grow out of contract performance. It encompasses all dealings between the parties from the time the contract is awarded until the work has been completed and accepted, payment has been made and disputes have been resolved. The goal of contract administration is to assure that the Government obtains the needed work on time and that the contractor receives proper compensation".
- Do not limit to plant or production. It could be a construction, research, service, or development project. Expand on this!

Major modifications were made to the synthesized definition as a result of respondent feedback. The abbreviation "CAS" was deleted from the definition. The phrase "in or near a contractor's plant" was deleted at the

request of nine respondents. The second paragraph was expanded to provide ten examples of contract administration services.

**c. Proposed definition based upon responses:**

**CONTRACT ADMINISTRATION SERVICES**

All actions accomplished by the buyer necessary for the performance of a contract or for the support of the buying office. It begins at preaward and ends at contract completion. The purpose of contract administration is to ensure that the buyer receives goods or services in accordance with the contract and that the contractor receives proper compensation. Contract administration services may include but are not limited to:

1. Quality Assurance (Inspection, Acceptance).
2. Contract Payment and Modification.
3. Production Surveillance, Preaward Surveys.
4. Price/Cost Analysis, Termination.
5. Property Administration.
6. Small Business Evaluation.
7. Engineering Support.
8. Industrial Security and Safety.
9. Labor Relations.
10. Contract Interpretation and Direction.

**4. Foreign Military Sales**

**a. Definition synthesis:**

This term was not difficult to synthesize. The researcher located seven published definitions for the term, six of which read essentially the same. The synthesis process was mainly a matter of incorporating the common elements found in each definition into one overall definition. The synthesized definition was:



FOREIGN MILITARY SALES (FMS): A regulatory process of the Department of Defense by which the Department acts as agent for other Governments, using the other Governments' funds to make procurements for them, usually on a cost-reimbursable basis. Sometimes a surcharge for development and contract placement is charged.

**b. Results:**

Twenty-two respondents (62%) supported the definition as synthesized. Thirteen offered responses that recommended both minor and major modifications to the synthesized definition. Eight respondents disagreed with the synthesized definition and suggested that the phrase "...usually on a cost-reimbursable basis." be revised to improve clarity. Some of the responses were:

- Occasionally systems are sold from U.S. inventories and reimbursed by foreign funds. Especially right out of the crib to recover developmental costs.
- The phrase "...usually on a cost reimbursable basis." may be interpreted to mean a contract type vice method of payment. Replace with "The Department of Defense is reimbursed its costs in performing the service".
- Delete "regulatory" and "sometimes".
- Add for "request for proposal, specification, development".
- Too cumbersome. Revise to "A Department of Defense contract for acquisition of services and supplies to be

resold to foreign countries or international organizations. The domestic contract is preceded by an accepted letter of offer and acceptance.

- Emphasize application of Government procurement regulations vice commercial.
- "It is an agreement between the United States Government and a foreign country" as opposed to a contract between the Department of Defense and a foreign countries.

Although only eight respondents disagreed with the synthesized definition, the researcher believed that significant modifications of the synthesized definition would improve its clarity. The researcher believed that the synthesized definition was too general to adequately define Foreign Military Sales. The researcher attempted to modify the definition to describe the term's essential elements:

(1) the buyer and seller, (2) the methods of providing goods or services, and (3) the methods of reimbursement. Although the original synthesized definition was modified significantly, the researcher believes that the term maintained its baseline meaning.

**c. Proposed definition based upon responses:**

**FOREIGN MILITARY SALES**

An agreement between the United States Government and a foreign country or international organization whereby the United States agrees to provide goods or services in exchange for objects of value. The United States may provide these goods or services through standard procurement procedures, through inventory issuance, or by allowing the foreign country to make direct purchases from industry. The foreign country may reimburse the United States with cash payments, trade offsets, military base usage rights, or diplomatic/political concessions.

**5. Production**

**a. Definition synthesis:**

The synthesis process for this term was straightforward since the published definitions shared the same basic meanings of providing an output. The synthesized definition was:

PRODUCTION: 1) That output which is the result of the functioning of men, materials, machinery, and tools, as well as other equipment, all working according to a plan.

2) The phase in which the operational hardware is produced.

3) The process of converting raw materials by fabricating them into a desired product.

**b. Results:**

Twenty-five or seventy-five percent of the respondents agreed with the synthesized definition. Nine respondents disagreed with the synthesized definition because it lacked clarity and conciseness. Some of the responses were:

- Delete definition numbers two and three.
- Change the first definition to "That final output resulting from the organization, planning, and management of human resources as well as..."
- The definitions are too Department of Defense oriented. For example, they do not cover services, training, or studies.
- Add "...for use or disposition outside the organization that produces it." to the end of the first definition.
- Replace the second definition with "The combining and consolidating of various components, thereby adding value to a pre-determined end product".
- Replace the third definition with "Any and all steps or processes in which any item is transformed into a higher state of usefulness".

Although "production" is a fairly common term, the researcher had difficulty utilizing the respondents recommendations to improve the synthesized definition. The three parts of the synthesized definition was compressed into one clear and concise proposed definition. Major modifications were made to the synthesized definition while maintaining the baseline meaning and the validity of the consensus process.

**c. Proposed definition based upon responses:**

**PRODUCTION**

That final output resulting from the organizing, planning, and management of human resources, materials, machinery, tools, equipment, and other facilities to add value or increase the usefulness of any item, service, or study.

**Synonym:** Manufacturing; Fabrication

**Antonym:** Development

**6. Value Analysis**

**a. Definition synthesis:**

Sixteen of seventeen published definitions were found to have similar meaning. They appeared to be concise and to provide the necessary clarity to ensure that the term was easily and fully understood. The published definitions were only slightly modified to arrive at the synthesized definition. The synthesized definition was:

VALUE ANALYSIS: The elimination or modification of anything that contributes to the cost of a contract item or task but is not necessary for needed performance, quality, maintainability, reliability, or interchangeability. It constitutes a systematic and creative effort, not required by any other provision of the contract, directed toward analyzing each contract item to ensure that its essential function is provided at the lowest over-all cost.

**b. Results:**

Of the thirty responses, fourteen (47%) of the respondents disagreed with the synthesized definition. Some of the responses were:



- Change the first sentence to "Value analysis is a systematic, detailed review to determine how to eliminate or modify anything..."
- Replace the first sentence with "The process of elimination or modification of a material item, design, or process".
- Delete "...not required by any other provision of the contract..."
- Revise the definition to "It is a pricing mechanism or practice whereby every item is analyzed for its cost composition or value".
- Reverse the order of the two sentences.
- Other goals besides cost may be involved such as size, simplicity, etc.

Major modifications were made to the synthesized definition as a result of the respondents suggestions. In addition to general word smithing, the synthesized definition was reformatted into two sections that addressed the respondents most prevalent concerns:

- 1) What are the elements of the analysis?
- 2) What action does the analysis generate?

Reformatting of the synthesized definition did not appear to change its baseline meaning and therefore did not invalidate the consensus process.

**c. Proposed definition based upon responses:**

**VALUE ANALYSIS**

1) A systematic, detailed review conducted to ensure that each contract item or task is essential for performance, maintainability, reliability, or interchangeability. Its purpose is to eliminate or modify designs, processes, or material items in an effort to reduce over-all costs or increase performance.

2) A pricing mechanism or practice whereby each contract item or task is analyzed to ensure that it meets minimum acceptable performance criterion in the most cost effective manner.

**Synonym:** Value engineering

**7. Weapon System**

**a. Definition synthesis:**

This term was difficult to synthesize since many of the published definitions appeared too "wordy" and cumbersome. The researcher included the published definitions of the terms "major systems" and "major defense acquisition program" in the synthesis process. The researcher also defined the term utilizing both a monetary and functional definition. The monetary definition and dollar thresholds were obtained from the Defense Acquisition Management Policies and Procedures, DOD Instruction 5000.2. The functional definition was obtained from the, Compendium of Authenticated Systems and Logistical Terms, Definitions, and Acronyms, which is published by AFIT. The synthesized definition was:

WEAPON SYSTEM: 1) A final combination of subsystems, components, parts, and materials that make up an entity that is used in combat either offensively or defensively to destroy, defeat, injure, or threaten the enemy.

2) An item that can be used directly by the armed forces to carry out combat missions and that cost more than \$100,000 or which the eventual total procurement cost is more than \$10 million (fiscal year 1990 constant dollars). It does not include commercial items sold in substantial quantities to the general public.

**b. Results:**

Only ten or thirty-three percent of the thirty respondents agreed with the synthesized definition. Sixteen respondents suggested that the monetary definition be eliminated since the specific dollar thresholds would inevitably change. Some of the other responses were:

- Change "...an entity that is used in combat..." to "...an entity that maybe used in combat..."
- Replace "A final combination of subsystems..." with either "An orderly combination or arrangement of subsystems..." or "The totality of subsystems..."
- Delete "injure" and "threaten".
- Add "deter" and "enemy forces".
- "What about synergism? For example, the sum of the individual parts is less than the sum of the whole".

Over 53% of the respondents suggested that the monetary portion of the synthesized definition be deleted.

The researcher concurred with this recommendation since the thresholds would certainly change thereby causing the monetary definition to become outdated. The researcher also modified the synthesized definition by replacing "threaten" and "enemy" with "deter" and "enemy forces". This minor modification appeared to remove some of the negativity associated synthesized definition.

**c. Proposed definition based upon responses:**

**WEAPON SYSTEM**

A final combination of subsystems, components, parts, and materials that make up an entity that may be used in combat either offensively or defensively to deter, destroy, and/or defeat enemy forces.

**C. SUMMARY**

This chapter is the first of two chapters that detailed the research, data collection, and analysis process used to develop proposed definitions. This chapter analyzed the seven terms that were classified as controversial based upon the factors outlined in Chapter I.

Synthesized definitions were developed from the published definitions detailed in Appendix A. They were then incorporated into the questionnaire in Appendix B and distributed. All the proposed definitions, applicable synonyms and antonyms are provided in Appendix C. The next chapter follows the same process for the remaining eighteen non-controversial terms.

### III. ANALYSIS OF "NON-CONTROVERSIAL" TERMS

#### A. INTRODUCTION

This chapter follows the same format utilized in Chapter II. Subsection "a" examines the definition synthesis process. Subsection "b" analyzes the responses to the questionnaire. Subsection "c" provides the proposed definition along with recommended synonyms and antonyms. The terms in this chapter generated a stronger consensus among the respondents and were therefore easier to formulate into proposed definitions. Changes made to the synthesized definitions tended to be minor and did not alter the consensus arrived at as a result of the questionnaire process. The changes and refinements were intended to enhance clarity by both reducing unnecessary verbiage and adding amplifying information. The baseline meaning of the synthesized definitions remained unchanged.

#### B. TERM ANALYSIS

##### 1. Acceptable Quality Level (AQL)

##### a. Definition synthesis:

This term was not difficult to synthesize due to the large number of published definitions that did not vary in meaning. The synthesized definition was:



ACCEPTABLE QUALITY LEVEL: The maximum percentage of defective units (or number of defects per 100 units) that will be accepted in the output from a production process.

**b. Results:**

Twenty-one or sixty-two percent of the respondents agreed with the synthesized definition of this term. Thirteen respondents (38%) offered comments. Some of the comments included:

- It is too limited; broaden to other than production.
- AQL is determined prior to inspection and acceptance. Replace "...that will be accepted..." with "...that generally will be considered as acceptable..."
- Definition implies that it must be 100 units; Change "or" to "i.e."
- Definition is for minimum quality level.
- Need to explain the advantages of this principle, especially in today's TQM environment.
- Add "It may be considered to be a satisfactory process average and is best suited to reducing the manufacturing risk of rejecting a good product".
- Add caveat "based upon a statistically valid sampling plan". The AQL is the maximum valid sampling.
- In today's world of TQM, an AQL of less than 100% is unacceptable and spells failure for any organization.

The respondents provided a wide variety of suggestions on ways to modify the synthesized definition. The researcher concurred with the suggestions that a more detailed definition is required and that the definition should broadly describe the basic concept encompassing this term. The researcher attempted to utilize the various suggestions to express this basic concept and appeared to clarify the synthesized definition.

**c. Proposed definition based on responses:**

**ACCEPTABLE QUALITY LEVEL**

The maximum percentage of defective units (e.g. number of defects per 100 units) considered as acceptable by the buyer. This is based on the idea that the costs associated with receiving an occasional defective unit may be insignificant when compared to the costs of inspecting or testing each delivered unit.

**Synonyms:** Percent defective allowed.

**Antonyms:** Zero defects.

**2. Contractor Acquired Property**

**a. Definition synthesis:**

This term was not difficult to synthesize since the published definitions were clear and concise. The synthesized definition was:

**CONTRACTOR ACQUIRED PROPERTY:** Property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.

**b. Results:**

Of the thirty-four respondents, twenty-six (76%) agreed with the definition as synthesized. Five of the respondents suggested that the statement "...and to which the Government has title." was misleading. Some of the responses were:

- Add "... retain title of ownership under the terms of the Federal Acquisition Regulation government property clause."
- Add "... and the cost of which is reimbursed by the Government to the contractor."
- The actual term should be "contractor acquired government property."
- Change "...to which the Government has title" to "...to which the Government may acquire or retain title of ownership."
- Clarify definition by adding a second sentence or by providing an example.

The respondent's comments regarding the insertion of the clause "and the cost of which is reimbursed by the Government to the contractor" into the definition was rejected by the researcher. The researcher made minor modification to the last portion of the definition due to similar recommendation from five of the respondents.

**c. Proposed definition based upon responses:**

**CONTRACTOR ACQUIRED PROPERTY**

Property acquired or otherwise provided by the contractor for performing a contract and to which the Government may acquire or retain title of ownership.

**Synonyms:** Government furnished equipment/material

**Antonyms:** Contractor property

**3. Data**

**a. Definition synthesis:**

A large number of published definitions were found and all were consistent with the researcher's understanding. The researcher categorized the definitions into three areas: (1) general, (2) contracting specific, and (3) singular/plural usage. The synthesized definition was:

DATA: 1) A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation or processing by humans or by automated means.

2) Recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. The term does not include information incidental to contract administration such as financial, administrative, cost or pricing or management information.

3) The plural "data" is often incorrectly construed as singular. "Data" is plural of "datum."

**b. Results:**

The comments from respondents were supportive of the proposed definition as synthesized with twenty-two (67%) outright agreements. Eleven or thirty-three percent of

the respondents suggested that data should include information incidental to contract administration such as financial, administration, cost or pricing, or management information. Some of the responses were:

- "We do not need a grammar lesson", delete definition number three.
- Add "...or by automated and mechanized means" to the end of the first sentence.
- Add "drawings" to the second sentence since it is a type of data.

The researcher concurred with the suggestion that the grammar lesson is unnecessary and therefore deleted definition number three. The researcher also concurred with the eleven respondents that suggested that data include financial, administrative, cost or pricing, or management information. "Processing by humans" was changed to "processing manually".

**c. Proposed definition based upon responses:**

**DATA**

1) A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation or processing manually or by automated means.

2) Recorded information, regardless of form or the media on which it may be recorded. The term includes computer software, technical, financial, administrative, management, and cost or pricing data.

**Synonyms:** Recorded information



#### **4. Design to Cost**

##### **a. Definition synthesis:**

This term had many published definitions of which the majority used the same words and phrases. The theme, which was the tradeoff between performance and costs, of all the definitions was similar thus making the definition easy to synthesize. The synthesized definition was:

DESIGN TO COST: Management concept wherein rigorous goals are established during development and the control of systems costs (acquisition, operating, and support) to these goals is achieved by practical tradeoffs between operational capability, performance, costs, and schedule. Cost, as a key design parameter, is addressed on a continuing basis and as an inherent part of the development and production process.

##### **b. Results:**

A total of twenty-eight or eighty-five percent of the respondents agreed with the definition as it was synthesized. Five respondents disagreed with the synthesized definition and made a few minor suggestions. Some of the responses were:

- Change "Management concept" to "Acquisition approach"
- Change "Cost, as a key..." to "Cost, as the key..."
- Primary objective is to produce the finished product at a specific cost to meet competition.
- Replace "rigorous goals" with "minimum requirements".
- Change "...control of systems costs..." to "...control of programs costs..."

Only minor changes were made to the published definition since such an overwhelming number of the respondents agreed with the definition as synthesized. The researcher changed "Cost, as a key" to "Cost , as the key" at the recommendation of one respondent.

**c. Proposed definition based upon responses:**

**DESIGN TO COST**

Concept wherein rigorous cost management goals are established during system development and the control of costs (acquisition, operating, and support) to these goals is achieved by practical tradeoffs between operational capability, performance, costs, and schedule. Cost, as the key design parameter, is addressed on a continuing basis and is an inherent part of the development and production process.

**5. Determination and Findings**

**a. Definition synthesis:**

The definition in the Federal Acquisition Regulation was used verbatim since it embodied the baseline meanings of the published definitions. The synthesized definition was:

**DETERMINATION AND FINDINGS:** A special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings." The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation.

**b. Results:**

Thirty-one or ninety-four percent of the respondents agreed with the synthesized definition. Five of these respondents made minor suggestions while only two respondents disagreed with the synthesized definition. Some of the responses were:

- Change "...and must cover each requirement..." to "...and must address each requirement..."
- Replace "A special form of written approval by an authorized official..." with "A written decision process by a designated acquisition official..."
- Term should be "finding and determination" as opposed to "determination and findings".
- Delete "...and must cover each requirement of the statute or regulation".
- Didn't "J&A" replace "determination and findings".

The comments "should the term be finding and determination" and "didn't J&A replace determination and findings" were rejected by the researcher due to there faultiness. The only change made to the published definition was to delete the phrase "special form of" since it detracted from the clarity of the definition. Since ninety four percent of the respondents agreed with the synthesized definition, the researcher concluded that the definition was acceptable.

**c. Proposed definition based upon responses:**

**DETERMINATION AND FINDINGS**

A written approval by an authorized official required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings". The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation.

**6. Facilities**

**a. Definition synthesis:**

The large number of published definitions provided the basic framework for the synthesis process. Most of the definitions were written in a contracting context although several were written in a legal context. The definition provided in the Federal Acquisition Regulation was the most clear and concise and therefore comprised the bulk of the synthesized definition. The synthesized definition was:

**FACILITIES:** Industrial property used for production, maintenance, research, development, or test. The term includes real property and rights therein, buildings, structures, improvements, and plant equipment, but it does not include material, special tooling, military property, or special test equipment. When used in a facilities contract, the term includes all property provided under that contract.

**b. Results:**

Twenty-eight or eighty-five percent of the respondents agreed with the synthesized definition. Eight of the respondents generated minor recommendations while

four respondents disagreed with the synthesized definition and generated major recommendations. Some of the responses were:

- The last line of the definition should specify if the property provided belongs to the Government or to the contractor.
- Add "...subject to the Government furnished property provisions" to the end of the definition.
- Delete "industrial" because it reflects manufacturing.
- Insert "(building and land)" after industrial property.
- Change "military" to "government".
- Replace "industrial property" with "facilities".

Three respondents suggested that utilizing the words "industrial property" implied that facilities must be used for manufacturing. The researcher concurred with their interpretation and deleted "industrial" from the definition. The researcher concurred with the respondent that suggested adding the terms "equipment, building, and land" after property since it increases clarity. The researcher rejected the suggestion to utilize the term "facilities" in the definition since utilizing a term to define itself often adds confusion not clarity. Based on the overwhelming positive responses received, the researcher concluded that the definition was acceptable as synthesized.



**c. Proposed definition based upon responses:**

**FACILITIES**

Property (equipment, buildings, land) used for production, maintenance, research, development, or testing. The term includes real property and rights therein, buildings, structures, improvements, and plant equipment, but it does not include material, special tooling, Government property, or special test equipment. When used in a facilities contract, the term includes all property provided under that contract.

**7. Final Cost Objective**

**a. Definition synthesis:**

The definition was not difficult to synthesize.

The researcher found five different references on which to base his synthesized definition, all of which were consistent with the researcher's understanding of the terms. The synthesized definition was:

FINAL COST OBJECTIVE: A cost objective which has allocated to it both direct and indirect costs and, in the contractor's accumulation system, is one of the final accumulation points.

**b. Results:**

Feedback from the questionnaire indicated that twenty-seven respondents (82%) agreed with the synthesized definition. Comments were received from the remaining six respondents. Some of the responses were:

- Add "allowable and allocable costs" after "direct and indirect".

- Replace the synthesized definition with "A function, organization, subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, and so forth".
- Change "accumulation" to "cost accounting".
- Too vague, what are accumulation system and final points.
- Add after accumulation points "It is usually a contract or similar identifiable effort".

The definition was modified to include the definition utilized in the Armed Services Pricing Manual. This modification improved clarity without voiding the consensus process since it provided a more concise definition without modifying the original synthesized definition. Only one minor change was made to the original synthesized definition since it had been accepted by twenty-seven of the thirty-one respondents.

**c. Proposed definition based upon responses:**

**FINAL COST OBJECTIVE**

1) A cost objective which has allocated to it both direct and indirect costs and, in the contractor's cost accounting system, is one of the final accumulation points. It is usually a contract or a similarly identifiable effort.

2) A function, organization, subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, and so forth.

**Synonyms:** Negotiation objective

**Antonyms:** Intermediate cost objective

**8. Functional Specification**

**a. Definition synthesis:**

This term was difficult to synthesize because the literature review uncovered only four published definitions. These four definitions were not concise and had rather diverse meanings. To arrive at the synthesized definition, portions of each published definition was utilized. The synthesized definition baseline was derived from Dobler, Burt, and Lee's book, Purchasing and Materials Management. The synthesized definition was:

FUNCTIONAL SPECIFICATION: It describes the function(s) to be performed, how the item is to fit into the larger system, together with several design objectives (cost, weight, reliability). It does not define specific levels of performance, but describes the user's application and the conditions under which the user is applying the product. Its purpose is to encourage government purchase of commercial products on a competitive basis.

**b. Results:**

The feedback from the questionnaires indicated that thirty or eighty-three percent of the respondents agreed with the synthesized definition. Only six respondents disagreed with the synthesized definition and provided suggestions. Some of the suggestions were:

- Change last phrase to "...purchase of suitable commercial products".
- Add "It also allows the contractor to offer their best products as opposed to offering their lowest priced products".
- Too specific. Add "...allows creativity in custom designs".
- Revise last sentence to "Its purpose is to encourage a larger number of suppliers of commercial products or supplies to submit offers".
- Delete "several design objectives (cost, weight, reliability)".

The synthesized definition was only slightly modified in arriving at the proposed definition. The term "Government" was changed to "buyer" because the definition does not apply solely to the Government. The researcher rejected the remaining suggestions since they did not appear to increase the clarity of the definition.

**c. Proposed definition based on responses:**

**FUNCTIONAL SPECIFICATION**

A specification that describes the function(s) to be performed, how the item is to fit into the larger system, together with several design objectives (cost, weight, reliability, etc). It does not define specific levels of performance, but describes how the user will apply the product. Its purposes are to encourage suppliers of commercial products to submit offers and to encourage the buyer to purchase commercial products on a competitive basis.

**9. Industrial Modernization Incentives Program (IMIP)**

**a. Definition synthesis:**

This term was not difficult to synthesize because the researcher found only two references which offered definitions for this term. One of the published definitions was extremely brief and did not appear to define the term in sufficient detail. The other published definition was extremely long and cumbersome but defined the term in explicit detail. The synthesized definition was taken verbatim from Ivan S. Banki's book, Dictionary of Administration and Management. The synthesized definition was:



INDUSTRIAL MODERNIZATION INCENTIVES PROGRAM (IMIP):  
Sponsored by the Office of the Secretary of Defense (OSD), this is an industry-wide program with goals and purposes to achieve:

1. a more efficient and economical production of quality items and services;
2. an improved responsiveness from private contractors, subcontractors and vendors;
3. a reduction in acquisition and life-cycle costs of defense systems;
4. reduced lead times;
5. improved product reliability; and
6. an increase in surge and mobilization capability.

It encourages contractor capital investment to apply new technology to their manufacturing process to enhance productivity of the Defense Industrial Base. It also helps remove or mitigate some existing impediments or disincentives to contracting with the United States Department of Defense and offers several incentives for improvements in manufacturing plants and processes.

**b. Results:**

All thirty-six respondents (100%) agreed with the synthesized definition. Two respondents offered the following minor changes:

- Include "application of new technology to enhance improved production capability".
- Revise second paragraph to "It encourages ... to enhance productivity and improve existing capability of the Defense Industrial Base".

The definition was modified slightly. The synthesized definition, that was listed after the program goals, was moved to the beginning of the proposed definition and the six points were eliminated to enhance conciseness. Since one hundred percent of the respondents agreed with synthesized definition, the researcher rejected the two suggestions.

**c. Proposed definition based upon responses:**

**INDUSTRIAL MODERNIZATION INCENTIVES PROGRAM (IMIP)**

A program sponsored by the Office of the Secretary of Defense (OSD) to encourage contractor capital investment to apply new technology to their manufacturing process to enhance productivity of the Defense Industrial Base. It helps remove or mitigate some existing impediments or disincentives to contracting with the Department of Defense and offers several incentives for improvements in manufacturing plants and processes.

**10. Last-in-first-out (LIFO) inventory method**

**a. Definition synthesis:**

This term was not difficult to synthesize. The researcher found eight published definitions that all centered around the researcher's understanding of the term, that of inventory valuation by utilizing the price shown on the last incoming shipments. The definition as synthesized was:

**LAST-IN-FIRST-OUT (LIFO) INVENTORY METHOD:**

In Inventory Management, a method of valuation whereby materials or lots are processed or expended in reverse chronological order of acquisition or incurrence. The price shown on the last incoming shipment of a particular item is the one that will be used for current valuations and cost.

**b. Results:**

Of the thirty-six respondents, twenty-eight or seventy-eight percent agreed with the synthesized definition. Eight respondents disagreed with the definition and provided the following suggestions:

- Change "...are processed or expended in reverse..." to "...are valued in reverse..."
- Discuss the affect each method would have on value and cost of inventory.
- Replace definition with "An inventory system where the latest items, materials, or lots added to inventory are the first used and the price of the latest unit is used to determine the cost of manufacturing or of the inventory".
- Change "...a method of valuation..." to "...a method of inventory issue and control..."
- Emphasize that it is an accounting device.
- Change "...order of acquisition or incurrence..." to "...order of acquisition, stockage, or receipt..."

The researcher rejected the suggestion that the definition should "discuss the affect that each method would have on value and cost of inventory" since the purpose of this thesis is to define each term not to provide examples of each terms use. The respondent suggestion regarding the belief

that the definition should "emphasize that LIFO is an accounting device" was also rejected since this suggestion does not appear to add clarity to the synthesized definition. The researcher concurred with the remaining suggestions and utilized them to develop the published definition.

**c. Proposed definition based upon responses:**

**LAST-IN-FIRST-OUT (LIFO) INVENTORY METHOD**

A method of inventory valuation, issuance, and control whereby materials or lots are processed or expended in reverse chronological order of acquisition, receipt, or storage. The price shown on the last incoming shipment of a particular item is the one used to determine inventory value or the cost of manufacturing.

**Synonyms:** Replacement cost inventory management

**Antonyms:** First-In-First-Out

## **11. Letter of Intent**

### **a. Definition synthesis:**

Part one of the definition was taken from Aljian's Purchasing Handbook. It was both concise and descriptive and provided a good baseline definition. Part two of the definition evolved from the synthesis process and utilized portions of three published definitions. The synthesized definition was:

LETTER OF INTENT: 1) A preliminary contractual arrangement customarily used in situations where the items, quantities, price, and delivery dates are known, but where the principal contract provisions require additional time-consuming negotiations. It is used to enter into interim agreement, pending a definitive contract, so as to permit the start of construction, production, or delivery of the supplies or materials.

2) A letter issued in advance of a contract in which the signer declares his intention to buy, manufacture, or deliver a product or service. Utilized to reduce to writing a preliminary understanding of parties who intend to enter into a contract.

### **b. Results:**

All thirty-six respondents (100%) agreed with the synthesized definition. Thirteen respondents stated that the second part of the definition was more concise. Seven of those thirteen respondents also stated that the first part of the definition more accurately described a letter contract. Two additional suggestions were:

- Delete "A preliminary contractual arrangement..." and insert "A preliminary arrangement..."



- Change the last sentence of the second definition from "...who intend to enter into a contract." to "...who intend to negotiate a definitive contract."

The first part of the synthesized definition was deleted since it appeared to more accurately define a letter contract. Even though this was a major modification, the researcher believed that the consensus gained through the questionnaire process was not compromised since the second part of the synthesized definition remained unaltered.

**c. Proposed definition based upon responses:**

**LETTER OF INTENT**

A letter issued in advance of a contract in which the signer declares his intention to buy, manufacturer, or deliver a product or service. It is utilized to authorize work by reducing to writing a preliminary understanding of parties who intend to enter into a contract.

**Synonyms:** Memorandum of understanding (MOU)/Memorandum of Agreement (MOA)

**12. Negligence**

**a. Definition synthesis:**

The synthesized definition closely followed the eight published definitions located during the literature review. Two particular definitions acted as the baseline definitions since they appeared to more readily agree with the researcher's understanding of the term. All eight of the

published definitions were in general agreement and had similar meanings. The synthesized definition was:

NEGLIGENCE: 1) Ordinary negligence arises from errors of judgment attributable, for example, to a lack of seasoned experience, and from oversights and mistakes that might be committed by anyone, but never from willful deceit. Gross negligence adds the element of recklessness and an extreme disregard of common standards--for example, of auditing and reporting.

2) The doing or omission of something a reasonably prudent person would not have done or omitted under similar conditions.

**b. Results:**

Twenty-four or seventy-three percent of the thirty-three respondents agreed with the synthesized definition. Nine respondents disagreed and offered suggestions. Some of the suggestions were:

- Explain that this is a generalized definition. Anyone who is seeking specifics should consult a lawyer.
- Delete examples.
- Add more examples such as QA, testing, etc.
- Change definition of ordinary negligence to "Lack of appropriate care or attention to detail which causes errors, misjudgments, or mistakes in performance."
- Change definition of gross negligence to "Lack of care which outrageously or flagrantly ignores proper standards, procedures, or judgments resulting in significant errors or mistakes."

- Negligence must involve a breach of duty to meet a standard of care.

The researcher rejected the suggestion that the definition should explain "that this is a generalized definition and that anyone who is seeking specifics should consult a lawyer". The researcher believes that this comment is unnecessary and would do very little to provide clarity to the definition. The researcher also rejected the suggestion that the examples (auditing, reporting, testing) be deleted since these examples appear to assist in defining the term in the context of acquisition and contracting. The synthesized definition was modified to incorporate some of the comments received from the other respondents.

**c. Proposed definition based upon responses:**

**NEGLIGENCE**

1) The doing or omission of something during the performance of a task, that a reasonably prudent person would not have done or omitted under similar conditions.

2) Ordinary negligence arises from errors of judgment attributable, for example, to a lack of seasoned experience, and from oversights and mistakes that might be committed by anyone, but never from willful deceit. Gross negligence adds the element of recklessness and an extreme disregard of common standards (i.e. testing, quality assurance, accounting, auditing, reporting, etc.)

### **13. Nonappropriated Funds**

#### **a. Definition synthesis:**

This term was not difficult to synthesize. Only three published definitions were found in the literature review and all three had essentially the same meaning. The common theme appeared to be that nonappropriated funds are derived from sources other than congressional appropriations. The synthesized definition was:

NONAPPROPRIATED FUNDS: Moneys derived from sources other than congressional appropriations, primarily from the sale of goods and services to DoD military and civilian personnel and their dependents and used to support or provide essential morale, welfare, recreational and certain religious and educational programs. There is no accountability for these funds in the fiscal records of the Treasury of the United States.

#### **b. Results:**

Twenty-three respondents (68%) agreed with the synthesized definition. Eleven respondents disagreed with the synthesized definition and generated minor suggestions. Some of the responses were:

- Six respondents recommended that the researcher delete or modify the last sentence. Specifically, the respondents stated that the sentence "There is no accountability..." was improper and alarming in today's tight fiscal environment.
- Delete the word "essential" from the end of the first sentence.

- Five respondents suggested that the definition was not generic enough and needed to be expanded. They stated that many other federal agencies besides the Department of Defense utilize nonappropriated funds. For example, the United States Postal Service and other agencies collect fees for providing services.

The researcher concurred with the six respondents that suggested that the statement "there is no accountability" appeared improper and therefore modified the proposed definition. The researcher also concurred with the five respondents that believed that the definition was not generic enough and needed to be expanded to include other federal agencies.

**c. Proposed definition based upon responses:**

**NONAPPROPRIATED FUNDS**

Funds obtained by Government agencies from sources other than congressional appropriations. These funds are often used to support or provide morale, welfare, recreational and certain religious and educational programs.

Accountability for these funds is the responsibility of the agency and not the Treasury of the United States.

**Antonyms:** Appropriated Funds

**14. Quality Assurance Program**

**a. Definition synthesized:**

The term was not difficult to synthesize because there were a multitude of published definitions.



Several of the published definitions were exceptionally broad while others were more specific. The synthesized definition was:

QUALITY ASSURANCE PROGRAM: A planned and comprehensive system encompassing all actions necessary to provide confidence that adequate technical requirements are established, that materials, data, supplies, products and services conform with the established technical requirements and achieves satisfactory performance.

**b. Results:**

Twenty-six or seventy-nine percent of the thirty-three respondents agreed with the synthesized definition. Twelve respondents agreed but provided minor suggestions or comments while seven respondents disagreed with the synthesized definition. Some of the responses were:

- Delete "...and achieves satisfactory performance."
- Add "...and achieves satisfactory performance that can be verified."
- Replace "A planned and comprehensive system encompassing all actions necessary to provide confidence that..." with "A collection of guidelines designed to ensure that..."
- After the last sentence add "All measurements must be traceable to an established standard".
- Replace "technical" with "contracting".
- Revise definition to "A planned and comprehensive system encompassing all actions necessary to provide

for measuring, testing, and evaluating the combination of staff resources, machines during (and directly after) manufacturing with the objective of producing a product that will conform with satisfactory".

- Too restrictive. QA can apply to much more than technical processes.
- Suggest focusing on Total Quality Management (TQM) which consists of improving performance through employee involvement and activities which are dedicated toward satisfying such goals as quality, cost, schedule, mission need, and suitability.

The respondent suggestion to focus on Total Quality Management was rejected by the researcher since this approach did nothing to define a "quality assurance program". The other suggestions appeared to be more useful but actually did little to improve the synthesized definition. Since seventy-nine percent of the respondents agreed with the definition as synthesized, the proposed definition is very much like the original synthesized definition.

**c. Proposed definition based upon responses:**

**QUALITY ASSURANCE PROGRAM**

A planned and comprehensive system encompassing all actions necessary to provide confidence that adequate technical requirements are established, that materials, data, supplies, products and services conform with the established technical requirements and that the end product achieves satisfactory performance.

**Synonyms:** Quality control program

**15. Special Tooling**

**a. Definition synthesis:**

Synthesis of this term was easy. The definition in the Federal Acquisition Regulation was used verbatim since it had essentially the same meaning as the other published definitions. This definition was:

SPECIAL TOOLING: Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production for particular supplies or parts thereof or to the performance of particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.

**b. Results:**

Of the thirty-three respondents, twenty-nine or eighty-eight percent agreed with the term as synthesized. Three of the four respondents who disagreed with the term suggested that the definition be shortened to improve clarity.

The two responses were:

- The definition is too long, wordy, and awkward.  
Reference the Federal Acquisition Regulation or proper source.
- As opposed to general purpose tooling, it is of such a special nature that without substantial modification or alteration, it can only be used for the production of particular parts, supplies or services.

The high concurrence percentage coupled with the lack of a more clear, concise, and thorough definition indicated that the synthesized definition should be used verbatim to develop the proposed definition.

**c. Proposed definition based upon responses:**

**SPECIAL TOOLING**

Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production for particular supplies or parts thereof or to the performance or particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.

**Synonym:** Custom tooling

**Antonym:** General purpose equipment

## **16. Testing**

### **a. Definition synthesis:**

This term was not difficult to synthesize since it was quoted virtually verbatim from the Federal Acquisition Regulation. It was concise and echoed the baseline meanings of the other four published definitions that the researcher located. The synthesized definition was:

**TESTING:** That element of inspection that determines the physical, biological, or chemical properties of materials, including the functional operation of their components, by the application of established technical or scientific principles and procedures.

### **b. Results:**

Acceptance of the definition as synthesized was indicated by twenty-four or eighty percent of the thirty respondents. The remaining six respondents generated several suggestions in an attempt to clarify the definition. Some of the responses were:

- Change "...scientific principles and procedures." to "...scientific principles, procedures, or standards."
- Insert "of inspection pertaining to a critical explanation, observation, or evaluation that determines"
- Add to the end of the definition "...scientific principles and procedures to a predetermined objective or result."
- Revise definition to "An element of the inspection process which compares the actual physical,



biological, or chemical properties of materials or the functional operation of an item, component, or system against predetermined, acceptable standards. Testing is accomplished by the application of established technical or scientific principles and procedures. Testing requirements are normally spelled out in the contract."

- Replace "That element of inspection that determines the physical..." with "An examination that determines the quality and the physical".
- Need to add some words regarding the "level of confidence" derived.

The researcher concurred with the suggestion to replace "that element of inspection that determines" with "an examination that determines" since the latter phrase appears to be much more concrete and clear. The researcher did not believe that the suggestion to add "scientific principles and procedures to a predetermined objective or result" to the last sentence of the definition would significantly improve the clarity of the definition. Several of the respondents' suggestions were incorporated into the proposed definition in an attempt to make the definition more concise.

**c. Proposed definition based upon responses:**

**TESTING**

An examination that determines an item or systems physical, biological, or chemical properties as well as functional capabilities against a predetermined objective or result. Testing is accomplished by the application of established technical or scientific principles and procedures.

**Synonym:** Evaluation

**17. Transfers (Ownership)**

**a. Definition synthesis:**

The term "transfers" was not difficult to synthesize. The researcher found ten published definitions, during his literature review all of which shared a common theme of the act of conveying ownership from one person to another. The synthesis process was mainly the result of combining key words and phrases in order to express that common theme. The synthesized definition was:

TRANSFERS (OWNERSHIP): 1) The change of property title from one person to another via direct or indirect, absolute or conditional, voluntary or involuntary means.

2) Reassignment of accountability for property from a contractor to Government which is normally accompanied with formal acceptance and change in title.

**b. Results:**

Of the thirty respondents, twenty or sixty-seven percent agreed with the synthesized definition. Ten respondents disagreed but suggested only minor modifications

in an attempt to clarify the synthesized definition. Some of the responses were:

- Five respondents suggested that the phrase "...one person to another..." be changed to "...one person or entity to another..."
- Four respondents suggested that the second definition be revised to "...from a contractor to government or vice-versa which is normally..."
- Transfer is a this for that.
- Accountability is not ownership.
- Add to the end of the first definition "Usually attached to consideration and terms of the contract (e.g. F.O.B. point)".
- Define "title".

Nine of the respondents suggested that the researcher add the phrases "one person or entity to another" and "from a contractor to government or vice-versa". These suggestions were eagerly incorporated into the proposed definition since they provided both clarity and conciseness. The remaining suggestions from the respondents were not used in developing the proposed definition since they appeared to have only a minor affect on the proposed definition.

**c. Proposed definition based upon responses:**

**TRANSFERS OWNERSHIP**

- 1) The change of title to property from one person or entity to another via direct or indirect, absolute or conditional, voluntary or involuntary means.
- 2) Reassignment of accountability for property from a contractor to Government or vice versa which is normally accompanied with formal acceptance and change in title.

**18. Two-step Sealed Bidding**

**a. Definition synthesis:**

Eight published definitions of the term were located during the literature review. The researcher believed that a minor modification to the definition in Keyes Encyclopedic Dictionary of Procurement Law provided the most detail, clear, and concise definition. The synthesized definition was:

TWO-STEP SEALED BIDDING: A method of procurement designed to promote the maximum competition practicable when available specifications are not sufficiently definite to permit conventional formal sealed bidding procedures. In procurement of complex and technical items, it is used to prevent the elimination of potentially qualified producers from the competitive base. The first step consists of the request for, and the submission, evaluation, and, if necessary, discussion of a technical proposal, without pricing, to determine the acceptability of the supplies or services offered. The second step consists of formal sealed bid procurement procedures, confined to those offerors who submitted an acceptable technical proposal in step one.

**b. Results:**

Of the thirty respondents, twenty-eight or ninety-three percent agreed with synthesized definition and

only two respondents disagreed. Five respondents suggested minor changes to the synthesized definition such as:

- Delete the second sentence: "In procurement of complex and technical... from the competitive base".
- Change "definite" to "definitive".
- Definition is not per FAR 14.501.
- The phrase "...to determine the acceptability of the supplies or services offered." needs to be expanded upon or tied to another definition.

The changes suggested above would appear to do little to improve this definition. Since ninety-three percent of the respondents agreed with the definition as synthesized, the proposed definition is the same as the original synthesized definition.

**c. Proposed definition based upon responses:**

**TWO-STEP SEALED BIDDING**

A method of procurement designed to promote the maximum competition practicable when available specifications are not sufficient to permit conventional formal sealed bidding procedures. In procurement of complex and technical items, it is used to prevent the elimination of potentially qualified producers from the competitive base. The first step consists of the request for, and the submission, evaluation, and, if necessary, discussion of a technical proposal, without pricing, to determine the acceptability of the supplies or services offered. The second step consists of formal sealed bid procurement procedures, confined to those offerors who submitted an acceptable technical proposal in step one.

**Synonym:** Two-step formal advertising



### C. SUMMARY

This chapter has presented an analysis of the remaining eighteen terms. A discussion of the definition synthesis process, presentation of the questionnaire results, and the proposed definitions based on the questionnaire results were included. The following chapter will present conclusions and recommendations.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

##### A. INTRODUCTION

This chapter offers conclusions and recommendations ascertained from this research effort. It includes observations, general comments, and a summary of the chapter. Its format is similar to the format utilized in the theses completed by LCDR Ryan and other NPS and AFIT students conducting research in this area. This chapter concludes with an answer to the primary research question presented in Chapter I.

##### B. CONCLUSIONS

The conclusions arrived at in this thesis are as follows:

1. The product of this thesis will add to the body of knowledge which makes up the contracting discipline.

[Ref. 2:p. 79] [Ref. 3:p. 51] [Ref. 4:p. 58]

[Ref. 5:p. 64] [Ref. 6:p. 72]

The twenty five terms defined in this thesis, combined with those terms defined by previous researchers in this area, bring the contracting profession one step closer to developing a dictionary of acquisition and contracting terms.

2. The observations of questionnaire respondents reflected a concern for the continued development of the contracting discipline.

[Ref. 2:p. 79] [Ref. 3:p. 52] [Ref. 4:p. 59]

[Ref. 5:p. 65] [Ref. 6:p. 72]

The majority of the comments reflected a genuine willingness of respondents to assist in creating a dictionary of acquisition and contracting terms. The questionnaire responses were positive and concurred with the need for this research effort. Several respondents stated that they wanted to add this dictionary to their professional library.

3. There is not universal agreement concerning the meaning of most contracting terms.

[Ref. 2:p. 80] [Ref. 3:p. 52] [Ref. 4:p. 59]

[Ref. 5:p. 65] [Ref. 6:p. 72]

Even the terms with the highest concurrence rates generated valid comments and recommendations from the respondents. The researcher believes that this lack of universal agreement is caused by the broadness of the contracting profession, not the consensus process. Specifically, the contracting profession is composed of many specialties (DOD, International, construction, etc), and each specialty views certain words and phrases from its own perspective.

4. The procedure used in this thesis to achieve consensus on term definitions as used in contracting is valid.

[Ref. 2:p. 80] [Ref. 3:p. 52] [Ref. 4:p. 59]

[Ref. 5:p. 65] [Ref. 6:p. 73]

The methodology utilized in this thesis effort is adequate to arrive at a consensus for contracting terms. The significant concurrence rates on the majority of the terms and the number of excellent comments received indicated that this procedure was valid.

5. The benefit of synonyms and antonyms was marginal for this thesis.

[Ref. 3:p. 52] [Ref. 4:p. 59] [Ref. 5:p. 66]

[Ref. 6:p. 73]

Forty percent of the terms defined in this thesis did not have suitable synonyms or antonyms. Terms such as contract administration services, weapon systems, and determination and findings are "contracting" specific and therefore do not have appropriate synonyms or antonyms. The respondents did provide suitable and appropriate synonyms and/or antonyms for the remaining fifteen terms.

### C. RECOMMENDATIONS

1. The terms evaluated as non-controversial and analyzed in Chapter III should be incorporated in the dictionary of acquisition and contracting terminology.

These terms achieved a high consensus among the respondents. They are considered acceptable and ready to be published in a dictionary of acquisition and contracting terms.

2. The terms evaluated as controversial and analyzed in Chapter II should be resynthesized and forwarded to contracting professionals for additional comment.

As stated in Chapter II the terms were evaluated as controversial if they:

- a. were difficult to synthesize,
- b. generated a large number of comments,
- c. were difficult to formulate.

These definitions should be resynthesized utilizing both published definitions and recommendations from respondents. A second questionnaire should be developed and forwarded to a minimum of one hundred contracting professionals.



3. Continue to use five separate questionnaires which contain five terms each. Mail each questionnaire to one hundred CPCMs/CACMs.

This procedure improved both response rate and response quality. Respondents are much more eager to devote fifteen minutes to a five term questionnaire than an hour and fifteen minutes to a twenty five term questionnaire. The target audience should remain CPCMs and CACMs because of their expertise, experience and varied background.

4. Future questionnaires should encourage respondents to provide ambiguous terms.

The contracting discipline is a very dynamic and sometimes volatile environment in which to work. The respondents to the questionnaires operate in this volatile environment every day and must use ambiguous and unclear contracting terms. This situation makes the respondents an ideal source of truly ambiguous terms. The input from these professionals would ensure that the dictionary was meeting its stated goal.

#### D. RESEARCH QUESTION ANSWER

The primary research question was: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

Lieutenant Commander Ryan's answer to the same question in his thesis is still valid:

A 100 percent agreement on an exact definition for any given contracting term is not likely to occur, but a definition which represents a consensus can occur with success as demonstrated by the results of this thesis. Definition consensus is realistically achievable in a fixed amount of time utilizing published definitions and glossary "explanations" as the basis for synthesized definitions which can be subjected to criticism of a representative body of practitioners. [Ref. 2:p. 83]

Contracting professionals can develop a consensus definition for the terms that they use in their day to day business. This has been proven by the feedback that the questionnaires generated and by the positive comments received concerning this and previous thesis efforts. One hundred percent agreement is not likely or necessary and should not deter the development of a standardized dictionary of acquisition and contracting terms.

## **E. GENERAL COMMENTS**

The researcher had an overall response rate of thirty three percent and did not deem a follow up letter necessary. Future researchers of this area that may deem a follow up letter necessary should develop a system that distinguishes between those that responded and those that did not. This system should allow the researcher to aim the follow up questionnaires at those individuals that did not respond instead of at all five hundred CPCMs/CACMs in the original mailing. A follow up questionnaire should be utilized whenever the overall response rate is less than twenty five percent.

## **F. SUMMARY**

This chapter offered conclusions and recommendations regarding this research effort. It addressed some of the strengths and weaknesses as well as recommendations that the researcher believes will improve the process.

A comprehensive dictionary of acquisition and contracting terms will be a significant contribution to the procurement profession. This project has been quite challenging but knowing that a dictionary will be available to assist both neophyte and experienced contracting officials makes the effort worthwhile.

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## APPENDIX A: PUBLISHED DEFINITIONS

This appendix presents the published definitions of the twenty five terms which were used in the development of the questionnaire. The following terms were researched:

- Acceptable Quality Level (AQL)
- Collusive Bidding
- Contract Administrative Services
- Contractor Acquired Property
- Determination and Findings
- Foreign Military Sales
- Functional Specification
- Letter of Intent
- Nonappropriated Funds
- Quality Assurance Program
- Weapon System
- Two-step Sealed Bidding
- Last-In-First-Out (LIFO) Inventory Method
- Industrial Modernization Incentives Program (IMIP)
- Breakout
- Data
- Facilities
- Design to Cost
- Final Cost Objective
- Negligence
- Production
- Special Tooling
- Testing
- Value Analysis
- Transfers (Ownership)

## ACCEPTABLE QUALITY LEVEL (AQL)

- A nominal value expressed in percent defective or per hundred units specified for a given group of defects for a product.
- Acceptance of one hundred percent error free item identifications entering into the mechanized processes to achieve acceptability in the Federal Catalog System.
- The AQL is the maximum percent defective for the maximum number of defects per hundred units that for purposes of sampling inspection can be considered satisfactory as a process average.
- The maximum percent defective or the maximum number of defects per hundred units that for the purpose of sampling inspection can be considered satisfactory as a process average. [REF. 6:p.2]
- The maximum allowable number of defects, or defective units, per hundred units. [REF.7:p.1]
- The percentage of defects in a lot that would be acceptable most of the time. [REF.8:p. 31-1]
- The maximum percent defective (or the maximum number of defects per hundred units) that, for purposes of acceptance sampling, can be considered satisfactory as a process average. [REF 15:p 5]
- The maximum average or acceptable quality of all lots passed by an inspection system, using sampling methods. It may be expressed in terms of a percentage of defective items. [REF 19:p 11]
- The maximum percentage of defectives (or number of defects per 100 units) that will be accepted in the output from a production process. [REF 10:p 2]
- (statistical quality control) a predetermined degree of quality, generally in terms of number or percent of defective items in a lot or batch of goods, which is regarded as satisfactory in the sense that such quality will be accepted by the inspection procedure a high proportion (generally 95 percent or more) or the time; often referred to as AQL. [REF 16: p 2 & 3]

## BREAKOUT

- A program that provides for the systematic analysis of high value equipment or systems to determine whether direct procurement of major components by the government ( or prime contractor) is feasible.

- The process of removing an item from the category of being procurable only from one source and making it possible to procure the item from additional sources.

- The improvement in the procurement status of an item resulting from deliberate management action. Examples are (i) the competitive procurement of an item previously purchased noncompetitively and (ii) the direct purchase of an item previously purchased from a system prime contractor who is not the actual manufacturer of the item.

- A single numeric 0 will be used in conjunction with each assigned PMC to indicate that an alpha suffix code has not been assigned; a double numeric 00 will be used in DLSC reports to indicate a count of FSNs which are potential candidates for screening. These indicators will be assigned automatically by DLSC without input from ICPs.

[REF 6: p. 101]

- Execution of acquisition strategy to convert some parts or systems components from contractor-furnished to government-furnished. Rather than having the prime contractor provide form its sources, government goes out to industry direct and procures items.

[REF. 9: p. 7; REF 11: p. 9]

- Rise in a security's price above a resistance level (commonly its previous high price) or drop below a level of support (commonly the former lowest price). A breakout is taken to signify a continuing move in the same direction. [REF 17: p. 44]

- "Buy item" means an item or work effort to be produced or performed by a subcontractor. "Make item" means an item or work effort to be produced or performed by the prime contractor or its affiliates, subsidiaries, or divisions. "Make-or-buy program" means that part of a contractor's written plan for a contract identifying (a) those major items to be produced or work efforts to be performed in the prime contractor's facilities and (b) those to be subcontracted. [REF 10: p 16, 929-3]

## COLLUSIVE BIDDING

- An agreement between two or more persons to defraud a person of his rights by the forms of law, or to obtain an object forbidden by law. It implies the existence of fraud of some kind, the employment of fraudulent means, or of lawful means for the accomplishment of an unlawful purpose.

- A secret combination, conspiracy, or concert of action between two or more persons for fraudulent or deceitful purpose.

[REF. 5: p. 240]

- A secret agreement to commit a fraudulent, deceitful, unlawful, or wrongful act. [REF. 7: p. 6]

- **general:** a secret agreement to defraud. **labor relations:** a conspiracy between an employer and the certified representative of his or her employees to defraud the employees represented while providing the semblance of a genuine bargaining relationship. [REF. 24: p. 91]

- A secret understanding between two or more persons to take advantage of another with the object of depriving him of a right or property. [REF 16: p. 102]

- Said of bidding which occurs whenever suppliers agree among themselves to submit identical or nearly identical bids to a prospective purchaser. [REF 16: p. 102]

- Secret action taken by two or more persons together to cheat another or to commit **fraud**. For example, it is collusion if two persons agree that one should sue the other because the second person is **covered** by insurance; and it is collusion if a husband and wife agree that one of them will commit an act that will allow the other to get a divorce. [REF. 23: p. 60]



## CONTRACT ADMINISTRATIVE SERVICES (CAS)

• All those actions accomplished in or near a contractor's plant for the benefit of the Government which are necessary to the performance of a contract or in support of the buying offices, system/project managers, and other organizations. Contract administration services may include:

1. Quality Assurance (Inspection, Acceptance, etc.)
  2. Engineering Support.
  3. Production surveillance, Preaward Surveys, Mobilization, Planning.
  4. Contract Administration (Price/Cost Analysis, Termination, etc.)
  5. Property Administration. Plant Clearance.
  6. Industrial Security.
  7. Safety.
  8. Small Business.
  9. Industrial Labor Relations.
  10. Transportation.
  11. Equal Employment Opportunity Contracts Compliance Review.
  12. Contractor Payment.
- [REF. 6: p. 163]

• The management of all actions, after the award of a contract, that must be taken to assure compliance with the contract; e.g., timely delivery, acceptance, payment, closing contract, etc. [REF. 7: p. 5]

• The oversight of a contractor's performance under the fulfillment of the terms, conditions, and specifications of a contract. [REF. 9: p.11]

• In Public administration, a term applied to the concept, function and process of planning, estimating, authorizing, budgeting and controlling all resources and activities that pertain to contractual relationships in government organizations and agencies. [REF. 15: p. 206]

• "Contract administration office" means an office that performs (a) assigned postaward functions related to the administration of contracts and (b) assigned preaward functions. [REF 10: p 16,027]

## CONTRACTOR ACQUIRED PROPERTY

- Property procured or otherwise provided by the contractor as prescribed by terms of contract ownership title to which is vested in the government. [REF. 6: p. 167]

- Property procured or otherwise provided by the contractor for the performance of a contract, whether or not the Government has title by the terms of the contract, or exercises its contractual right to take title. [REF. 14: p. 73]

- Property procured or otherwise provided by the contractor for the performance of a contract, title to which is vested in the government. [REF. 9: p. 13; REF. 15: p. 209]

- "Contractor-acquired property" as used in this part, means property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title. [REF 10: p. 18,799]

## DATA

- All management, scientific engineering, and logistics information, reports, and documentation which are required.

- A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation or processing by humans or by automatic means. Any representations such as characters or analog quantities to which meaning is or might be assigned.

- The term "data" includes all management, scientific, engineering, and logistic information, reports, and documentation which are contractually required for delivery (or deferred delivery) from a contractor. It includes which are procured in connection with research, development, production, training, modification, overhaul, and operation and maintenance programs.

- Includes writings, sound recordings, pictorial reproductions, drawings, or other graphic representations and works of a similar nature, whether copyrighted or not. Does not include financial reports, cost analyses, and other information incidental to contract administration [REF 6: p 194]

- Organized information generally used as the basis for an adjudication or decision. Commonly, organized information, collected for specific purpose. [REF 5: p 356]

- All recorded information to be delivered under a contract. Technical data excludes management and financial data [REF 9: p 16]

- All recorded information, regardless of form or characteristic. It is delivered under contract. Technical data excludes management and financial data. See Limited Data Rights and Unlimited Rights. [REF 11: p 20]

- Any fact, number, letter or symbol which may be stored and referred to for purposes of gaining information [REF 15: p 237] [REF 18: p 69]

- A document, drawing, report, manual, revision, technical order, or other submission entered as a specific line item on the DD Form 1423 and required to be delivered. [REF 12: p 9-29]

- (ADP term) facts or figures from which conclusions may be drawn. [REF 7: p 9]

- Factual information (as measurements or statistics) used as a basis for reasoning, discussion, or calculation. [REF 4: p 325]

- (sing. datum) = facts. [REF 16: p 125]

- "Data" as used in this subpart, means recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. The term does not include information incidental to contract administration such as financial, administrative, cost or pricing or management information [REF 10: p 17,627]

- A collection of facts and information, such as statistics, used as the basis of inference or conclusion. [REF 21: 99]

- (1) **general:** a representation of facts, concepts, or instructions in a formalized manner, suitable for communication. The plural "data" is often incorrectly construed as singular. "Data" is plural of "datum." [REF 24: p 101]

## DESIGN TO COST

- A concept which directs action during the design phase of a weapon system to establish cost as a key parameter together with schedule and system performance criteria. System design and development are continuously evaluated against cost requirements with the same rigor as applied to technical requirements [REF 6: p 220]

- The commercial approach of managing the design, development, production, and "life support" of a product to meet the marketplace value to the user. It is independent of "estimated cost." [REF 14: 98]

- Systems designed to a designated production unit cost. [REF 9: p 18]

- Management concept wherein rigorous goals are established during development and the control of systems costs (acquisition, operating, and support) to these goals is achieved by practical tradeoffs between operational capability, performance, costs, and schedule. Cost, as a key design parameter, is addressed on a continuing basis and as an inherent part of the development and production process. [REF 11: p 23]

- "Design-to-cost" is a concept that establishes cost elements as management goals to achieve the best balance between life-cycle cost, acceptable performance, and schedule. Under this concept, cost is a design constraint during the design and development phases and a management discipline throughout the acquisition and operation of the system or equipment. [REF 10: p 16,305]

## DETERMINATION AND FINDINGS

- The authority to enter into a contract by negotiation, in lieu of the formal advertising method.

- Written justification by a contracting officer or higher authority for (i) entering into contracts by negotiation, (ii) making advance payments in negotiated procurements, (iii) entering into cost reimbursement or incentive type contracts, and (iv) waiving the requirement for submission and certification of cost or pricing data. [REF 6: p 222]



- A legal document which is prepared by a purchasing agent which justifies the type of contract selected for a specific purchase or the use of competitive sealed proposals (negotiation) instead of competitive sealed bidding; the findings of fact, or reason, and the determination is the conclusion. [REF 7: p 10]

- The document signed by the agency head, head of a procuring activity, or a contracting officer, that justifies a decision to take a certain action. It is expressed in terms of meeting the regulatory requirements of the situation. [REF 9: p 18]

- A special form of written approval by authorized official required by statute or regulation as prerequisite to taking certain contracting actions. [REF 11: p 23]

- In Contract Administration, documents required to justify the use of authority to (q) enter into contracts by negotiation; (2) determine the kind of contract or method to be used; (3) advance payment authorization; and (4) determine the necessity of allowing contractors to acquire non-serviceable facilities. [REF 15: p 257]

- "Determination and Findings" (D&F) means a special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings." The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation. [REF 10: p 16,020]

## FACILITIES

- Those facilities which normally perform services or produce goods similar to private industry, except commissaries, post exchanges and other non-appropriated fund activities.

- Real property, including all buildings and land and permanent improvements thereto, including access roads and railroad spurs, security fencing, utility lines, dedicated spaces, piers required for operation and support of a system or equipment. [REF 6: p 28]



- That which promotes the ease of any action, operation, transaction, or course of conduct. The term normally denotes inanimate means rather human agencies, though it may also include animate beings such as persons, people and groups thereof.

The word "facilities" embraces anything which aids or makes easier the performance of the activities involved in the business of a person or corporation. [REF 5: p 53]

- Plant, integral land, equipment, and any tangible capital asset, wherever located, whether owned or leased by a contractor.

- A coordinated group of fixed assets-land, buildings, machinery, and equipment-constituting a plant; sometimes called a "complete" facility.

- Any item of physical equipment that contributes to production; a building, machine, or shop; a factor or production in the form of any item of plant. [REF 16: p 195]

- Industrial property (other than material), special tooling, military property, and special test equipment for production, maintenance, research, development, or test, including real property and rights therein, buildings, structures, improvements, and plant equipment.

- A physical plant, such as real estate and improvements thereto, including buildings and equipment, that provides the means for assisting or making easier, the performance of a function; for example, base arsenal, factory. (2) Any part of adjunct of a physical plant, or any item of equipment that is an operating entity and contributes or can contribute to the execution of a function by providing some specific type of physical assistance. [REF 11: p 30]  
[REF 9: p 22]

- Any organizational resource which is used to perform or promote an operation, procedure, activity, or transaction. [REF 18: p 92]

- "Facilities" as used in this subpart and when used in other than a facilities contract, means property used for production, maintenance, research, development, or testing. It includes plant equipment and real property (see 45.101). It does not include material, special test equipment, special tooling, or agency-peculiar property. When used in a facilities contract, the term includes all property provided under that contract. [REF 10: p 18,804]

- Facilities generally means industrial property for production, maintenance, research, development, or test. The term includes real property and rights therein, buildings, structures, improvements, and plant equipment, but it does not include material, special tooling, military property, or special test equipment. When used in a facilities contract, the term includes all property provided under that contract. [REF 12: p 1-29]

- Industrial Property (other than material, special tooling, military property, and special test equipment for production, maintenance, research, development, or test) including real property and rights therein, buildings, structures, improvements, and plant equipment. [REF 13: p 45-5]

- The first category, facilities, covers real property, rights in land, ground improvements, utility distribution systems, buildings and other structures.

- Facilities other than real property generally include plant equipment or other fixed assets characterized as personal property. This includes any property used in manufacturing, in performing services, or for administrative or general plant operation. Some examples are machine tools, test equipment, furniture, vehicles, and other equipment. Included are accessory items (those desired but not essential to using a piece of equipment) and auxiliary items (those essential to but separable from an item of equipment). As with real property, purchasers do not ordinarily expect to provide facilities for their suppliers. [REF 13: p 45-5]

## FINAL COST OBJECTIVE

- A cost objective to which direct costs can be identified and to which indirect and overhead costs can be allocated. [REF 6: p 291]

- A cost objective which has allocated to it both direct and indirect costs, and, in the contractor's accumulation system, is one of the final accumulation points. [REF 14: p 119; REF 13: p 31-2]

- "Final cost objective" as used in this part (other than Subparts 31.3 and 31.6), means a cost objective that has allocated to it both direct and indirect costs and, in the contractor's accumulation system, is one of the final accumulation points. [REF 10: p 17,954]

- A cost objective that has allocated to it both direct and indirect costs and, in the contractor's system, is one of the final accumulation points. [REF 12: p B-5]

- A final cost objective is one to which both direct and indirect costs are allocated (e.g., a project or a contract). [REF 12: p 6-2]

## FOREIGN MILITARY SALES

- Deliveries on a reimbursable or sales basis of military material or training assistance to eligible foreign countries, under provisions of the Foreign Assistance Act of 1961. This assistance is for both defense articles and services (including training). This assistance differs from Military Assistance Program Grant Aid in that it is purchased by the recipient country.

- The selling of military equipment and services to friendly foreign governments and international organizations under the authority of the Foreign Military Sales Act of 1968, as amended.

- The selling of US-produced military equipment, training, and services to friendly foreign governments under the authority cited in AFM 400-3.

- The International Security Assistance and Arms Export Control Act of 1976, Public Law 94-329, changed the title of the Foreign Military Sales Act to the Arms Export Control Act, made significant revisions in U.S. policy concerning congressional oversight of FMS activities. These statutes authorize the Department of Defense (DOD) to enter into contracts on behalf of foreign countries, for the purchase of U.S. "defense articles or defense services," as long as the purchasing company provides the United States with a "dependable undertaking" to pay the full amount of its contract. [REF 14: p 378]

- A regulatory process of the Department of Defense by which the Department acts as agent for other governments, using the other governments' funds to make procurements for them, usually on a cost-reimbursable basis. Sometimes a surcharge for development and contract placement is charged. [REF 9: p 25]

- Sales of U.S. Government defense articles and services to a foreign government or international organization under security assistance programs authorized by the Arms Export Control Act. [REF 11: p 32]

- Second, under FMS, financially independent countries of the free world can buy needed military equipment and thereby carry a share of the common defense burden., FMS helps a developing nation attain the minimum security and stability needed for its development. Thus, the objective of United States foreign military sales is to promote the defensive strength of friends and allies. FMS also can promote the concept of cooperative logistics and equipment standardization and offset in part the unfavorable balance of payments resulting from military deployments abroad.  
[REF 12: p 9-26]



## FUNCTIONAL SPECIFICATION

- It does not define specific levels of performance. But describes the user's application and the conditions under which the user is applying the product. To describe an end product in this manner enhances competition under circumstances where commercial products already exist that will meet the government's requirement. The basic purpose of the functional specification is to make it possible for commercial products of unique, proprietary design, which perform comparable tasks, to meet the demands of the government agency. [REF 13: p 10-1]

- A functional specification sets forth the intended use or application for which the product is bought in lieu of specifying capabilities or performance standards to which the product might be tested. The purpose of the functional specification is to encourage government purchase of commercial products on a competitive basis. Any product meeting the stated functional uses of the agency could compete under this type of document. [REF 26: p 205]

- A functional specification states the manner in which the government intends to use its product and permits selection of any product that will meet that use. The perceived advantage of functional specifications is in the area of purchasing. [REF 26: p 125]

- Such purchase descriptions are a variation of performance specifications and are used in early involvement (ESI) programs. With this approach, the design team describes the function (s) to be performed, how the item is to fit into the larger system (e.g., automobile, computer, etc), together with several design objectives (cost, weight, reliability). [REF 26: p 132]



## INDUSTRIAL MODERNIZATION INCENTIVES PROGRAM (IMIP)

- Sponsored by the Office of the Secretary of Defense (OSD), this is an industry-wide program with goals and purposes to achieve:

- (1) a more efficient and economical production of quality items and services;
- (2) an improved responsiveness from private contractors, subcontractors and vendors;
- (3) a reduction in acquisition and life-cycle costs of defense systems;
- (4) reduced lead times;
- (5) improved product liability; and
- (6) an increase in surge and mobilization capability.

It encourages contractor capital investment to apply new technology to their manufacturing process to enhance productivity of the Defense Industrial Base; helps remove or mitigate some existing impediments or disincentives to contracting with the United States Department of Defense; and offers several incentives for improvements in manufacturing plants and processes. [REF 15: p 427]

- Provides government incentive to a contractor to motivate investment of own funds in improvements which result in reducing acquisition costs. [REF 11: p 39]

## LAST-IN-FIRST-OUT (LIFO) INVENTORY METHOD

- A method of pricing inventories and issues of material (LIFO). [REF 6: p 384]

- A method of storing, shipping, and pricing items which key actions to the last item received. [REF 7: p 18]

- Referring to accounting, handling, and pricing of materials held in inventories. [REF 8: p 31:19]

- In Inventory Management, a method of valuation whereby materials or lots are processed or expended in reverse chronological order of acquisition or incurrence. [REF 15: p 507] [REF 16: p 287] [REF 18: p 152]

- A method of estimating the change in value, over a period, of a stock of some good. it is used in the same circumstances as FIFO but it is assumed that the stock remaining at the end of the period is the oldest stock (i.e. that a withdrawal is always of the most recently purchased stock). [REF 20: p 250]

- Sometimes also used to describe the movement of goods. [REF 19: p 73]

- Under, LIFO, the most recent cost is charged to production and the oldest cost is shown in the inventory valuation. Determined by dividing the total cost of all units available in the inventory by the number of units. [REF 12: p 5-9]

- Dealing with valuation of inventories: the price shown on the last incoming shipment of a particular item is the one that will be used for current valuations and cost. [REF 24: p 257]

#### LETTER OF INTENT (LOI)

- An obligation instrument which can be used to protect price and availability of long lead items and for other purposes as specifically stated. LOIs are superseded by LOAs. [REF 6: p 387]

- A letter of intent is customarily employed to reduce to writing a preliminary understanding of parties who intend to enter into contract. [REF 5: p 814]

- A written statement of the intention to enter into a formal agreement. [REF 4: p 686]

- This letter generally sets out, in considerable detail, the terms of the proposed underwriting, but contains language negating legal liability. [REF 14: p 164 & 165]

- A letter issued in advance of a contract in which the signer declares his intention to buy, manufacture, or deliver a product or service. [REF 7: p 17]

- A written preliminary contract that authorizes the contractor to immediately begin work; pending the publication of a definitive contract containing principal contract provisions. [REF 7: p 8]

- A preliminary contractual arrangement customarily used in situations where the items, quantities, price, and delivery dates are known, but where the principal contract provisions require additional time-consuming negotiations. It is used to enter into interim agreement, pending a definitive contract, so as to permit the start of construction, production, or delivery of the supplies or materials. [REF 8: p 31-18]

- First indication of a buyer's intent to place a supplier under contract. [REF 15: p 520]

- Any letter expressing an intention to take (on not take) an action, sometimes subject to other action being taken. [REF 17: p 207]

- A preliminary understanding that forms the basis for an intended **contract**. This may give some but not all the rights of a signed contract. [REF 23: p 182]

## NEGLIGENCE

- Failure to comply with laws or regulations or failure to act as a reasonably prudent person would, under the same or similar conditions. [REF 6: p 469]

- The omission to do something which a reasonable man, guided by those ordinary considerations which ordinarily regulate human affairs, would do, or the doing of something which a reasonable and prudent man would not do.

Negligence is the failure to use such care as a reasonably prudent and careful person would use under similar circumstances; it is the doing of some act which a person of ordinary prudence would not have done under similar circumstances or failure to do what a person of ordinary prudence would have done under similar circumstances. Conduct which falls below the standard established by law for the protection of others against unreasonable risk of harm; it is a departure from the conduct expectable of a reasonably prudent person under like circumstance. [REF 5: p 930 & 931]

- The failure to do that which an ordinary, reasonable, prudent man would do, or the doing of some act which an ordinary, prudent man would not do. Reference must always be made to the situation, the circumstances, and the knowledge of the parties. [REF 88: p 31-19] [REF 24: p 298]

- Failure to use a reasonable degree of care and attention in order to avoid injury, damage, or loss to another person, group, organization, institution, or property thereof. [REF 15: p 629] [REF 18: p182]

- The failure to exercise a reasonable amount of **care** in a situation that causes harm to someone or something. It can involve doing something carelessly or failing to do something that should have been done. [REF 23: p 204]

- The doing or omission of something a reasonably prudent person would not have done or omitted under the circumstance. [REF 7: p 20] [REF 20: p 294]

- Failure to exercise due care. Ordinary negligence arises from errors of judgment attributable, for example, to a lack of seasoned experience, and from oversights and mistakes that might be committed by anyone, but never from willful deceit. Gross negligence adds the element of recklessness and an extreme disregard of common standards-for example, of auditing and reporting. The deliberate concealment or intentional misrepresentation of a material fact, event, or condition constitutes fraud. [RED 16: p 319]

#### NONAPPROPRIATED FUNDS

- Funds generated by Department of Defense military and civilian personnel and their dependents and used to augment funds appropriated by the Congress to provide a comprehensive, morale-building welfare, religious, educational, and recreational program, designed to improve the well-being of military and civilian personnel and their dependents. [REF 6: p 472]

- Moneys derived from sources other than congressional appropriations, primarily from the sale of goods and services to DoD military and civilian personnel and their dependents and used to support or provide essential morale, welfare, recreational and certain religious and education programs. Another distinguishing characteristic of these funds is the fact that there is no accountability for them in the fiscal records of the Treasury of the United States. [REF 9: p 37] [REF 11: p 54] [REF 6: p 472]

- In Federal Government, an employee whose wages or salaries are paid out of the office where he or she works rather than out of funds appropriated by Congress. [REF 15: p 635]



## PRODUCTION

- The phase in which the operational and support hardware is produced. The process of converting raw materials by fabrication into required material. It includes the functions of production-scheduling, inspection, quality control, and related processes.

- The conversion of raw materials into products and/or components thereof, through a series of manufacturing processes. It includes functions of production engineering, controlling, quality assurance, and the determination of resources requirements.

- The element of repair, overhaul, storage, manufacture, etc., that produces the product.

- Includes all processes and procedures designed to transform a set of input elements into a specified output element. Its major functions include design or producibility, production planning, production control, production demonstration and testing, manufacturing method development, fabrication, assembly, installation, checkout, scheduling, and production program surveillance.

[REF 6: p 548]

- 1. The making available of goods or services for the satisfaction of demands

- 2. The function of making or fabricating, as distinguished from distributing or financing; hence, the addition of value by an operation or process, reflected in accounting by the recording of the costs of the contributory factors.

- 3. Output, usually for a specified period.

[REF 16: p 378]

- That output which is the result of the functioning of men, materials, machinery, and tools, as well as other equipment, working according to plan, and using the machines, materials, and tools in the proper and most efficient manner. [REF 21: p 264]

- The act or process of producing. Synonym for output. [REF 20: p 345]

- 1. The total series of stages by which material is changed from one form into another by the utilization of labor, tools, machinery and labor according to a plan.

- 2. The manufacture of goods. [REF 19: p 107]



- Any form of activity that adds value to goods and services, including creation, transportation and warehousing until used. [REF 24: p 349]

#### QUALITY ASSURANCE PROGRAM

- A broad program of planned and systematic controls for maintaining established standards measuring and evaluating performance to these standards; and reporting and taking necessary action when standards or performance are not maintained.

- Comprises a planned and systematic pattern of all actions necessary to provide adequate confidence that the product will perform satisfactorily in service.

- A planned and systematic pattern of all actions necessary to provide adequate confidence that material, data, supplies, and services conforms to established technical requirements and achieves satisfactory performance. [REF 6: p 563]

- Function by which the Government determines whether a contractor has fulfilled his contract obligations pertaining to quality and quantity. [REF 14: p 223]

- A pattern of actions to provide confidence that the product will perform satisfactorily in service. [REF 9: p 46]

- A system of activities whose purpose is to provide assurance that the overall quality control job is in fact being done effectively. Generally, it involves a continuing evaluation of the adequacy and effectiveness of the overall quality control program with a view to having corrective measures initiated where necessary. For a specific product or service, this involves verifications, audits, and the evaluation of the quality factors that affect the specification, production, inspection, and the use of the product or service. [REF 15: p 759]

- "Government contract quality assurance," means the various functions, including inspection, performed by the Government to determine whether a contractor has fulfilled the contract obligations pertaining to quality and quantity. [REF 10: p 18,911]

- A planned and comprehensive system encompassing all actions necessary to provide confidence that adequate technical requirements are established, that materials and operations are under control and a record developed that ensures products and services conform with the established technical requirements to the end that satisfactory performance is achieved.

[REF 13: p 45-1] [REF 7: p 25] [REF 11: p 69] [REF 6: p 564]

## SPECIAL TOOLING

- means all jigs, dies, fixtures, molds, patterns, specials taps, special gauges, special test equipment, other special equipment and manufacturing aids, and replacements thereof, acquired or manufactured by the contractor for use in the performance of a contract, which are of such a specialized nature that without substantial modification or alteration, their use is limited to the production of such supplies, or parts thereof, or the performance of such services, as are peculiar to the needs of the Government. The term does not include (i) items of tooling or equipment acquired by the contractor prior to the contract, or replacements thereof, whether or not altered or adapted for use in the performance of the contract, (ii) consumable small tools, or (iii) general or special machine tools, or similar capital items [REF 6: p 643] [REF 14: p 253]

- "Special tooling," as used in this part, means jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance or particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items. [REF 10: p 18,799]

[REF 14: p 253] [REF 6: p 643] [REF 11: p 77]

- Special tooling, generally includes items such as jigs, dies, fixtures, molds, patterns, taps, gauges, and other manufacturing aids. All these items are specialized in the sense that they are useful only for the limited purpose for which they are fabricated and acquired-usually for producing a specific end item or for performing a particular service. In

some cases, special tooling may require building special foundations or related improvements which have the characteristics of capital facilities, but if usefulness is limited to a particular production, the cost is a part of the special tooling. [REF 13: p 45-1]

## TESTING

- An element of Inspection. Generally denotes the determination by technical means of the physical and chemical properties or elements of Materials, Supplies or Components thereof, involving not so much the element of personal judgement as the application of established scientific principles and procedures. An element of inspection consisting of determining, by technical means and established scientific principles and procedures, the physical, biological, or chemical properties of materials. [REF 6: p 702] [REF 14: p 271]

- A process by which data are accumulated to serve a basis for assessing the degree that an item or system meets, exceeds, or fails to meet the technical or operational properties required of the system. [REF 6: p 700]

- Any program or procedure which is designed to obtain, verify or provide data for the evaluation of: research and development (other than laboratory experiments); progress in accomplishing development objectives; or performance and operational capability of systems, subsystems, components, and equipment items. [REF 9: p 55] [REF 11: p 83] [REF 6: p 700]

- "Testing" means that element of inspection that determines the properties or elements, including functional operation of supplies or their components, by the application of established scientific principles and procedures [REF 10: p 18,911] [REF 7: p 30] [REF 13: p 46-1]

## TRANSFERS (OWNERSHIP)

- The act of conveying Reporting/Controlling Custody of an aircraft to another custodian. [REF 6: p 711]

- The effecting of a reassignment of accountability for property from one account to another or from one accountable officer to another, or both. [REF 6: p 712]

- To convey or remove from one place, person, etc., to another; pass or hand over from one to another; specifically, to change over the possession or control of (as, to transfer a title to land). To sell or give.

- An act of the parties, or of the law, by which the title to property is conveyed from one person to another. The sale and every other method, direct or indirect, or disposing of or parting with property or with an interest therein, or with the possession thereof, or of fixing a lien upon property or upon an interest therein, absolutely or conditionally, voluntarily or involuntarily, by or without judicial proceedings, as a conveyance, sale, payment, pledge, mortgage, lien, encumbrance, gift, security or otherwise.

- Transfer means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, or disposing of or parting with property or with an interest in property, including retention of title as a security interest.  
[REF 5: p 1343]

- Conveyance of right, title, or interest in real or personal property from one person to another. Removal or acquisition of property by mere delivery with intent to transfer title.[REF 4: p 1253]

- A passage of property, usually with title, or of service from one person to another, in exchange for other property or service; a sale.[REF 16: p 471 & 472]

- To change or move from person to person (sell, give, or sign something over, etc.,) or from place to place (court to court, etc.). [REF 23: p 307]

- The change of property title from one person to another  
[REF 24:p 448]



- (a) Title to supplies shall pass to the Government upon formal acceptance, regardless of when or where the Government takes physical possession, unless the contract specifically provides for earlier passage of title.  
[REF 10: p 18,921]

## TWO-STEP SEALED BIDDING

- A method of procurement designed to expand the use and obtain the benefits of formal advertising where inadequate specifications preclude the use of conventional formal advertising. [REF 6: p 718]

- A method of procurement designed to promote the maximum competition practicable when available specifications are not sufficiently definite to permit a formally advertised procurement. In procurement of complex and technical items, it is used to prevent the elimination of potentially qualified producers from the competitive base. The first step consists of the request for, and the submission, evaluation, and, if necessary, discussion of a technical proposal, without pricing, to determine the acceptability of the supplies or services offered. The second step consists of a formally advertised procurement, confined to those offerors who submitted an acceptable technical proposal in Step One. [REF 14: p 277]

- The formal advertising process conducted in two steps whereby step one covers the solicitation and evaluation of technical bids and, for those found acceptable, the solicitation of prices. Step two covers the submission of bids and is subject to the same procedures as formal advertising. [REF 9: p 56]

- In Contract Administration, a procedure used to promote maximum effective vendor competition when (1) specifications and purchase descriptions are not sufficient or complete to permit fair competition; (2) definite criteria exist for evaluation of proposals (3) more than one proposal is to be submitted (4) there is sufficient time; and (5) a firm fixed-price type contract will be used. Generally, such bid involves (1) a request for submission; (2) evaluation of proposals to determine their appropriateness of supplies or services offered; and (3) sealed bidding by those vendors who have submitted acceptable proposals. [REF 15: p 929]



- If specifications and purchase descriptions are not clearly defined and complete but the other prerequisites for sealed bidding are generally met, a modification of sealed bidding, called "two step sealed bidding" may be used. Step one consists of submission and discussion of technical proposals. step two consists of submission of sealed, priced bids by those whose technical proposals have been found acceptable. [REF 12: p 1-9]

- A bidding procedure consisting of two stages; step one consists of a request for technical proposals and the selection of bidders whose proposals are considered most acceptable; step two consists of only those bidders whose technical proposals have been rated most acceptable submitting cost proposals. Bidding then proceeds as in conventional formal sealed bid procedures. [REF 7: p 31]

- Two-step sealed bidding is a combination of competitive procedures designed to obtain the benefits of sealed bidding when adequate specifications are not available. An objective is to permit the development of a sufficiently descriptive and not unduly restrictive statement of the Government's requirements, including an adequate technical data package, so that subsequent acquisitions may be made by conventional sealed bidding. This method is especially useful in acquisitions requiring technical proposals, particularly those for complex items. It is conducted in two step: (a) Step one consists of the request for submission, evaluation, and (if necessary) discussion of a technical proposal. No pricing is involved. The objective is to determine the acceptability of the supplies or services offered. AS used in this context, the word "technical" has a broad connotation and includes, among other things, the engineering approach, special manufacturing processes, and special testing techniques. it is the proper step for clarification of questions relating to technical requirement. Conformity to the technical requirements is resolved in this step, but not responsibility as defined in 9.1. (b) Step two involves the submission of sealed priced bids by those who submitted acceptable technical proposals in steep one. Bids submitted in step two are evaluated and the awards made in accordance with Subparts 14.3 and 14.4 [REF 10: p 16,781]

- This method of source selection and pricing is used in situations where inadequate method source selection and pricing is used in situations where inadequate specifications preclude the initial use of traditional competitive bidding. In the first step, bids are requested only for technical proposals, without any prices. Bidders are requested to set

forth in their proposals the technical details describing how they would produce the required materials, products, or services. After these technical bids are evaluated and it is determined which proposals are technically satisfactory, the second step follows.

In the second step, requests for bids are sent only to those sellers who submitted acceptable technical proposals in the first step. These sellers now compete for the business on a price basis, as they would in any routine, competitive, bidding situation. [REF 26: p 208]

## VALUE ANALYSIS

- The systematic method and process of investigating, identifying or determining (1) whether the value of products, materials, services or functions justifies its cost to the organization; and (2) whether there are alternate ways to obtain such needed items for optimum cost. Also referred to as "Value Engineering."

[REF 18: p 255; REF 15: p 954]

- Technique developed in America for systematically analyzing every component and operation in the making of a product and examining the function and usefulness in relation to cost. The aim is to achieve equal performance from a product or service at lower cost [REF 19: p 136]

- (a) Value engineering is the formal technique by which contractors may (1) voluntarily suggest methods for performing more economically and share in any resulting savings or (2) be required to establish a program to identify and submit to the Government methods for performing more economically. Value engineering attempts to eliminate, without impairing essential functions or characteristics, anything that increases acquisition, operation, or support costs. [REF 10: p 19,056]

- The organized and systematic study of every element of cost in a material part, or service to ensure that it fulfills its function at the lowest total cost.

[REF 8: p 31-27]

- An organized effort directed at analyzing the function of Air Force systems, subsystems, equipment, facilities, procedures, and supplies for the purpose of achieving the required function at the lowest total cost consistent with requirements for performance, reliability, quality, maintainability, and producibility.

An objective review of an item of design, manufacture,

procurement and installation aimed at achieving necessary function for minimum cost. [REF 6: p 733]

- Value engineering is concerned with the elimination or modification of anything that contributes to the cost of a contract item or task but is not necessary for needed performance, quality, maintainability, reliability, or interchangeability. It constitutes a systematic and creative effort, not required by any other provision of the contract, directed toward analyzing each contract item or task to ensure that its essential function is provided at the lowest over-all cost. [REF 14: p 285; REF 11: p 88]

- A systematic and objective evaluation of the functions of a product and its related cost. Its purpose is to ensure optimum value. As a pricing tool, it provides insight into the inherent worth of a product. [REF 9: p 57; REF 12: p B-10; REF 13: p 444]

- An organized effort directed at analyzing the function of systems, products, specifications, standards, practices, and procedures for the purpose of satisfying the required function at the lowest total cost of effective ownership consistent with requirements for performance, reliability, quality and maintainability. [REF 7: p 32]

- Consideration of the function of all parts of the design of one of a firm's products to see whether any changes in materials, manufacturing methods or design will increase the product's value to the firm. The increase in value may arise because the product can be improved and its sale increased or because the cost of producing it can be reduced or both. [REF 20: p 454]

- A purchasing strategy of asking the buyer's engineers to project the cost of goods in an attempt to keep the vendor's prices low. [REF 24: p 463]



## WEAPON SYSTEM

- An instrument of combat either offensive or defensive used to destroy, injure, defeat or threaten the enemy. It consists of a total entity of an instrument of combat (any single combat instrument that incorporates in itself a complex assembly of functional parts), i.e., F-104 aircraft, F-106 aircraft, FBM submarines, destroyers, DDE M60 tank, Hawk missile.

A weapon and those components required for its operation. It is a composite of equipments, skills and techniques that form an instrument of combat which, usually, but not necessarily, has an aerospace vehicle as its major operational element. The complete weapon system includes all related facilities, equipment, material, services, and personnel required solely for the operation of the aerospace vehicle or other major elements of the system, so that the instrument of combat becomes a self-sufficient unit of striking power in its intended operational environment.

A composite of equipment, skills, and techniques that forms an instrument of combat which usually but not necessarily, has an air vehicle as its major operation element. The complete weapon system includes all related equipment, material, services and personnel required solely for the operation of the air vehicle, or other major elements of the system, so that the instrument of combat becomes a self-sufficient unit of striking power in its intended operation environment.

Is a composite of personnel skills, techniques and material resources including components, equipments and/or systems which are integrally interrelated and capable of performing a series of functions as an instrument of combat. Examples include a naval combat ship, or a type, model and series of a combat aircraft.

A complex of equipment, skills and techniques that together form an instrument of combat, usually but not necessarily having an air or space-air vehicle incorporated into the system,

A final combination of subsystems, components, parts, and materials that make up an entity used in combat to destroy, injure, defeat, or threaten the enemy.

[REF 6: p 741 & 742]

- Item that can be used directly by the armed forces to carry out combat missions and that cost \$100K plus or for which the eventual procurement is \$10M plus.

[REF 11: p 89; REF 9: p 57]

• "Major system" means that combination of elements that will function together to produce the capabilities required to fulfill a mission need. The elements may include hardware, equipment, software or any combination thereof, but exclude construction or other improvements to real property. A system shall be considered a major system if-

(a) The Department of Defense is responsible for the system and the total expenditures for research, development, test, and evaluation for the system are estimated to be more than \$75,000,000 (based on fiscal year 1980 constant dollars) or the eventual total expenditure for the acquisition exceeds \$300,000,000 (based on fiscal year 1980 constant dollars);

(b) A civilian agency is responsible for the system and total expenditures for the system are estimated to exceed \$750,000 (based on fiscal year 1980 constant dollars) or the dollar threshold for a "major system" established by the agency pursuant to Office of Management and Budget (OMB) Circular A-109, entitled "Major Systems Acquisition", whichever is greater; or

(c) The system is designated a "major system" by the head of the agency responsible for the system.

[REF 10: p 18,207]

• Major Defense Acquisition Program. An acquisition program that is not a highly sensitive classified program (as determined by the Secretary of Defense) and that is:

a. Designated by the Under Secretary of Defense for Acquisition as a major defense acquisition program, or

b. Estimated by the Under Secretary of Defense for Acquisition to require:

(1) an eventual total expenditure for research, development, test, and evaluation of more than \$200 million in fiscal year 1980 constant dollars (approximately \$300 million in fiscal year 1990 constant dollars), or

(2) An eventual total expenditure for procurement of more than \$1 billion in fiscal year 1980 constant dollars (approximately \$1.8 billion in fiscal year 1990 constant dollars). [REF 28: p 2]

• Major System. A combination of elements that will function together to produce the capabilities required to fulfill a mission need, including hardware, equipment, software, or any combination thereof, but excluding construction or other improvements in real property. A system shall be considered a major system if it is estimated by the Under Secretary of Defense for Acquisition to require:

a. An eventual total expenditure for research, development, test, and evaluation of more than \$75,000,000 in



fiscal year 1980 constant dollars (approximately \$115,000,000 in fiscal year 1990 constant dollars), or

b. An eventual total expenditure for procurement of more than \$300,000,000 in fiscal year 1980 constant dollars (approximately \$540,000,000 in fiscal year 1990 constant dollars). [REF 27:p 3]

## APPENDIX B: COVER LETTER AND QUESTIONNAIRES

This appendix contains the cover letter and five separate questionnaires sent to 500 CPCM/CACM members. The questionnaires were sent out in five separate mailings of one hundred each.

Dear Contracting Professional,

Merry Christmas and Happy New Year! Congratulations on being chosen to eternally influence our august profession. Please grant me fifteen minutes of your valuable time by completing and returning the attached questionnaire.

The purpose of this questionnaire is to obtain feedback from contracting professionals in an effort to refine specific, commonly used acquisition words and phrases.

In addition to myself, other graduate students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Ohio, are also conducting an ongoing research effort to establish working definitions for commonly used acquisition words and phrases. When the project is completed, the definitions will be published in a professional dictionary of acquisition and contracting terminology. The dictionary has two purposes. First, to be used as an educational tool for those unfamiliar with the acquisition process. Second, to act as a reference document for those working in the field.

I have provided you an initial definition of five acquisition terms derived from current literature. The definitions are synthesized into a narrative that reflects the meanings conveyed in current published material.

Please review each of the five definitions and indicate whether or not you feel it is a viable working definition. Please feel free to make changes you deem necessary. This may be done in any way that will be understood by the researcher, such as lining out words, or rewriting the entire definition. Also, please include a short explanation for the change in the comments section; this will help me to understand your reasoning when reviewing the proposed definition. Finally, any terms that you can add as synonyms or antonyms to the attached words should be annotated in the spaces provided.

Your participation in this research effort is greatly appreciated. Please return the enclosed questionnaire with your comments by 8 January. If you need any additional details, I can be contacted by telephone at (408) 375-1824, or by writing to me at:

LT Travis Hayes, SC, USN  
Naval Postgraduate School,

SMC 1031  
Monterey, CA 93943

### ACCEPTABLE QUALITY LEVEL (AQL)

The maximum percentage of defective units (or number of defects per 100 units) that will be accepted in the output from a production process.

Is this an acceptable working definition?      Yes              No

If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### BREAKOUT

1) The process of removing an item from the category of being procurable only from one source and making it possible to procure the item from additional sources.

2) Execution of an acquisition strategy to convert some parts or systems components from contractor-furnished to government-furnished. The item is procured direct from industry as opposed to having the prime contractor provide the item from its sources.

Is this an acceptable working definition?      Yes              No

If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### COLLUSIVE BIDDING

A secret combination, conspiracy, or concert of action between two or more persons for a fraudulent or deceitful purpose. It occurs whenever suppliers agree among themselves to submit identical or nearly identical bids to a prospective purchaser.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_

### CONTRACT ADMINISTRATIVE SERVICES (CAS)

All those actions accomplished in or near a contractor's plant for the benefit of the Government which are necessary to the performance of a contract or in support of the buying offices, project managers, and other organizations. CAS may include:

1. Quality Assurance (Inspection, Acceptance, etc.)
2. Contract Payment
3. Production surveillance, Preaward Surveys.
4. Contract Administration (Price/Cost Analysis, Termination, etc.)
5. Property Administration.
6. Small Business
7. Program and Technical Support
8. Plant Clearance

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_



## CONTRACTOR ACQUIRED PROPERTY

Property acquired or otherwise provided by the contractor for performing a contract and to which the Government has title.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS \_\_\_\_\_

ANTONYMS \_\_\_\_\_

## DATA

1) A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation or processing by humans or by automatic means.

2) Recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. The term does not include information incidental to contract administration such as financial, administrative, cost or pricing or management information.

3) The plural "data" is often incorrectly construed as singular. "Data" is plural of "datum."

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## DESIGN TO COST

Management concept wherein rigorous goals are established during development and the control of systems costs (acquisition, operating, and support) to these goals is achieved by practical tradeoffs between operational capability, performance, costs, and schedule. Cost, as a key design parameter, is addressed on a continuing basis and as an inherent part of the development and production process.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## DETERMINATION AND FINDINGS

A special form of written approval by an authorized official that is required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings." The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## FACILITIES

Industrial property for production, maintenance, research, development, or test. The term includes real property and rights therein, buildings, structures, improvements, and plant equipment, but it does not include material, special tooling, military property, or special test equipment. When used in a facilities contract, the term includes all property provided under that contract.

Is this an acceptable working definition?      Yes              No

If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## FINAL COST OBJECTIVE

A cost objective which has allocated to it both direct and indirect costs and, in the contractor's accumulation system, is one of the final accumulation points.

Is this an acceptable working definition?      Yes              No

If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### FOREIGN MILITARY SALES (FMS)

A regulatory process of the Department of Defense by which the Department acts as agent for other governments, using the other governments' funds to make procurements for them, usually on a cost-reimbursable basis. Sometimes a surcharge for development and contract placement is charged.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_

### FUNCTIONAL SPECIFICATIONS

It describes the function(s) to be performed, how the item is to fit into the larger system, together with several design objectives (cost, weight, reliability). It does not define specific levels of performance, but describes the user's application and the conditions under which the user is applying the product. Its purpose is to encourage government purchase of commercial products on a competitive basis.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_

INDUSTRIAL MODERNIZATION INCENTIVES PROGRAM (IMIP)

Sponsored by the Office of the Secretary of Defense (OSD), this is an industry-wide program with goals and purposes to achieve:

1. a more efficient and economical production of quality items and services;
2. an improved responsiveness from private contractors, subcontractors and vendors;
3. a reduction in acquisition and life-cycle costs of defense systems;
4. reduced lead times;
5. improved product reliability; and
6. an increase in surge and mobilization capability.

It encourages contractor capital investment to apply new technology to their manufacturing process to enhance productivity of the Defense Industrial Base. It also helps remove or mitigate some existing impediments or disincentives to contracting with the United States Department of Defense and offers several incentives for improvements in manufacturing plants and processes.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
\_\_\_\_\_

ANTONYMS: \_\_\_\_\_  
\_\_\_\_\_



### LETTER OF INTENT

1) A preliminary contractual arrangement customarily used in situations where the items, quantities, price, and delivery dates are known, but where the principal contract provisions require additional time-consuming negotiations. It is used to enter into interim agreement, pending a definitive contract, so as to permit the start of construction, production, or delivery of the supplies or materials.

2) A letter issued in advance of a contract in which the signer declares his intention to buy, manufacture, or deliver a product or service. Utilized to reduce to writing a preliminary understanding of parties who intend to enter into a contract.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### NONAPPROPRIATED FUNDS

Moneys derived from sources other than congressional appropriations, primarily from the sale of goods and services to DoD military and civilian personnel and their dependents and used to support or provide essential morale, welfare, recreational and certain religious and educational programs. There is no accountability for these funds in the fiscal records of the Treasury of the United States.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### PRODUCTION

1) That output which is the result of the functioning of men, materials, machinery, and tools, as well as other equipment, all working according to a plan.

2) The phase in which the operational hardware is produced.

3) The process of converting raw materials by fabricating them into a desired product.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### QUALITY ASSURANCE PROGRAM

A planned and comprehensive system encompassing all actions necessary to provide confidence that adequate technical requirements are established, that materials, data, supplies, products and services conform with the established technical requirements and achieves satisfactory performance.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## SPECIAL TOOLING

Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production for particular supplies or parts thereof or to the performance or particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## NEGLIGENCE

1) Ordinary negligence arises from errors of judgment attributable, for example, to a lack of seasoned experience, and from oversights and mistakes that might be committed by anyone, but never from willful deceit. Gross negligence adds the element of recklessness and an extreme disregard of common standards--for example, of auditing and reporting.

2) The doing or omission of something a reasonably prudent person would not have done or omitted under similar conditions.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## TESTING

That element of inspection that determines the physical, biological, or chemical properties of materials, including the functional operation of their components, by the application of established technical or scientific principles and procedures.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## TRANSFERS (OWNERSHIP)

1) The change of property title from one person to another via direct or indirect, absolute or conditional, voluntary or involuntary means.

2) Reassignment of accountability for property from a contractor to Government which is normally accompanied with formal acceptance and change in title.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## VALUE ANALYSIS

The elimination or modification of anything that contributes to the cost of a contract item or task but is not necessary for needed performance, quality, maintainability, reliability, or interchangeability. It constitutes a systematic and creative effort, not required by any other provision of the contract, directed toward analyzing each contract item to ensure that its essential function is provided at the lowest over-all cost.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## WEAPON SYSTEM

1) A final combination of subsystems, components, parts, and materiels that make up an entity that is used in combat either offensively or defensively to destroy, defeat, injure, or threaten the enemy.

2) An item that can be used directly by the armed forces to carry out combat missions and that cost more than \$100,000 or which the eventual total procurement cost is more than \$10 million (fiscal year 1990 constant dollars). It does not include commercial items sold in substantial quantities to the general public.

Is this an acceptable working definition?      Yes      No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_



## TWO-STEP SEALED BIDDING

A method of procurement designed to promote the maximum competition practicable when available specifications are not sufficiently definite to permit conventional formal sealed bidding procedures. In procurement of complex and technical items, it is used to prevent the elimination of potentially qualified producers from the competitive base. The first step consists of the request for, and the submission, evaluation, and, if necessary, discussion of a technical proposal, without pricing, to determine the acceptability of the supplies or services offered. The second step consists of formal sealed bid procurement procedures, confined to those offerors who submitted an acceptable technical proposal in step one.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_

## LAST-IN-FIRST-OUT (LIFO) INVENTORY METHOD

In Inventory Management, a method of valuation whereby materials or lots are processed or expended in reverse chronological order of acquisition or incurrence. The price shown on the last incoming shipment of a particular item is the one that will be used for current valuations and cost.

Is this an acceptable working definition?      Yes              No  
If no, please explain: \_\_\_\_\_

Revised definition/comments: \_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_  
ANTONYMS: \_\_\_\_\_

APPENDIX C: PROPOSED DEFINITIONS BASED UPON THE  
CONSENSUS PROCEDURE

This appendix contains the definitions of all the researched terms developed through the consensus procedure.

**ACCEPTABLE QUALITY LEVEL**

The maximum percentage of defective units (e.g. number of defects per 100 units) considered as acceptable by the buyer. This is based on the idea that the costs associated with receiving an occasional defective unit may be insignificant when compared to the costs of inspecting or testing each delivered unit.

**Synonyms:** Percent defective allowed.

**Antonyms:** Zero defects.

**BREAKOUT**

An acquisition strategy element that provides for converting single source items to multiple source items by a change in the procurement or contract work breakdown structure so that an item or service is no longer provided solely by a single contractor but is instead available from multiple sources. This strategy element can reduce the cost risk through competitive pressures, and has the potential of improving performance and schedule. It may also transfer some of the risk of successful completion from the former single source to the buyer.

**Synonyms:** Dual sourcing; Second sourcing.

**Antonyms:** Breakback; Breakin

**COLLUSIVE BIDDING**

A secret combination, conspiracy, or concert of action between two or more persons or entities for fraudulent or deceitful purposes. It occurs whenever suppliers agree among themselves to submit identical or nearly identical bids to a prospective purchaser or agree to bid in such a way as to rotate the winning bid among themselves.

**Synonyms:** Bid rigging; Fraud; Fixed bidding

### **CONTRACT ADMINISTRATION SERVICES**

All actions accomplished by the buyer necessary for the performance of a contract or for the support of the buying office. It begins at preaward and ends at contract completion. The purpose of contract administration is to ensure that the buyer receives goods or services in accordance with the contract and that the contractor receives proper compensation. Contract administration services may include but are not limited to:

1. Quality Assurance (Inspection, Acceptance).
2. Contract Payment and Modification.
3. Production Surveillance, Preaward Surveys.
4. Price/Cost Analysis, Termination.
5. Property Administration.
6. Small Business Evaluation.
7. Engineering Support.
8. Industrial Security and Safety.
9. Labor Relations.
10. Contract Interpretation and Direction.

### **CONTRACTOR ACQUIRED PROPERTY**

Property acquired or otherwise provided by the contractor for performing a contract and to which the Government may acquire or retain title of ownership.

**Synonyms:** Government furnished equipment/material

**Antonyms:** Contractor property

### **DATA**

1) A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation or processing manually or by automated means.

2) Recorded information, regardless of form or the media on which it may be recorded. The term includes computer software, technical, financial, administrative, management, and cost or pricing data.

**Synonyms:** Recorded information

### **DESIGN TO COST**

Concept wherein rigorous cost management goals are established during system development and the control of costs (acquisition, operating, and support) to these goals is achieved by practical tradeoffs between operational capability, performance, costs, and schedule. Cost, as the key design parameter, is addressed on a continuing basis and is an inherent part of the development and production process.

### **DETERMINATION AND FINDINGS**

A written approval by an authorized official required by statute or regulation as a prerequisite to taking certain contracting actions. The "determination" is a conclusion or decision supported by the "findings". The findings are statements of fact or rationale essential to support the determination and must cover each requirement of the statute or regulation.

### **FACILITIES**

Property (equipment, buildings, land) used for production, maintenance, research, development, or testing. The term includes real property and rights therein, buildings, structures, improvements, and plant equipment, but it does not include material, special tooling, Government property, or special test equipment.



### FINAL COST OBJECTIVE

1) A cost objective which has allocated to it both direct and indirect costs and, in the contractor's cost accounting system, is one of the final accumulation points. It is usually a contract or a similarly identifiable effort.

2) A function, organization, subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, and so forth.

**Synonyms:** Negotiation objective

**Antonyms:** Intermediate cost objective

### FOREIGN MILITARY SALES

An agreement between the United States Government and a foreign country or international organization whereby the United States agrees to provide goods or services in exchange for objects of value. The United States may provide these goods or services through standard procurement procedures, through inventory issuance, or by allowing the foreign country to make direct purchases from industry. The foreign country may reimburse the United States with cash payments, trade offsets, military base usage rights, or diplomatic/political concessions.

### FUNCTIONAL SPECIFICATION

A specification that describes the function(s) to be performed, how the item is to fit into the larger system, together with several design objectives (e.g., cost, weight, reliability). It does not define specific levels of performance, but describes how the user will apply the product. Its purposes are to encourage suppliers of commercial products to submit offers and to encourage the buyer to purchase commercial products on a competitive basis.

### **INDUSTRIAL MODERNIZATION INCENTIVES PROGRAM (IMIP)**

A program sponsored by the Office of the Secretary of Defense (OSD) to encourage contractor capital investment to apply new technology to their manufacturing process to enhance productivity of the Defense Industrial Base. It helps remove or mitigate some existing impediments or disincentives to contracting with the Department of Defense and offers several incentives for improvements in manufacturing plants and processes.

### **LAST-IN-FIRST-OUT (LIFO) INVENTORY METHOD**

A method of inventory valuation, issuance, and control whereby materials or lots are processed or expended in reverse chronological order of acquisition, receipt, or storage. The price shown on the last incoming shipment of a particular item is the one that will be used to determine inventory value or the cost of manufacturing.

**Synonyms:** Replacement cost inventory management

**Antonyms:** First-In-First-Out

### **LETTER OF INTENT**

A letter issued in advance of a contract in which the signer declares his intention to buy, manufacturer, or deliver a product or service. It is utilized to authorize work by reducing to writing a preliminary understanding of parties who intend to enter into a contract.

**Synonyms:** Memorandum of understanding (MOU) / Memorandum of agreement (MOA)

### **NEGLIGENCE**

1) The doing or omission of something during the performance of a task, that a reasonably prudent person would not have done or omitted under similar conditions.

2) Ordinary negligence arises from errors of judgment attributable, for example, to a lack of seasoned experience, and from oversights and mistakes that might be committed by anyone, but never from willful deceit. Gross negligence adds the element of recklessness and an extreme disregard of common standards (e.g., testing, quality assurance, accounting, auditing, reporting).

### **NONAPPROPRIATED FUNDS**

Funds obtained by Government agencies from sources other than congressional appropriations. These funds are often used to support or provide morale, welfare, recreational and certain religious and educational programs. Accountability for these funds is the responsibility of the agency and not the Treasury of the United States.

**Antonyms:** Appropriated Funds

### **PRODUCTION**

That final output resulting from the organizing, planning, and management of human resources, materials, machinery, tools, equipment, and other facilities to add value or increase the usefulness of any item, service, or study.

**Synonym:** Manufacturing; Fabrication

**Antonym:** Development

### QUALITY ASSURANCE PROGRAM

A planned and comprehensive system encompassing all actions necessary to provide confidence that adequate technical requirements are established, that materials, data, supplies, products and services conform with the established technical requirements and that the end product achieves satisfactory performance.

**Synonyms:** Quality control program

### SPECIAL TOOLING

Jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production for particular supplies or parts thereof or to the performance or particular services. It does not include material, special test equipment, facilities (except foundations and similar improvements necessary for installing special tooling), general or special machine tools, or similar capital items.

**Synonym:** Custom tooling

**Antonym:** General purpose equipment

### TESTING

An examination that determines an item or system's physical, biological, or chemical properties as well as functional capabilities against a predetermined objective or result. Testing is accomplished by the application of established technical or scientific principles and procedures.

**Synonym:** Evaluation

### TRANSFERS (OWNERSHIP)

1) The change of title to property from one person or entity to another via direct or indirect, absolute or conditional, voluntary or involuntary means.

2) Reassignment of accountability for property from one party to another which is normally accompanied with formal acceptance and change in title.

### TWO-STEP SEALED BIDDING

A method of procurement designed to promote the maximum competition practicable when available specifications are not sufficient to permit conventional formal sealed bidding procedures. In procurement of complex and technical items, it is used to prevent the elimination of potentially qualified producers from the competitive base. The first step consists of the request for, and the submission, evaluation, and, if necessary, discussion of a technical proposal, without pricing, to determine the acceptability of the supplies or services offered. The second step consists of formal sealed bid procurement procedures, confined to those offerors who submitted an acceptable technical proposal in step one.

**Synonym:** Two-step formal advertising

### VALUE ANALYSIS

1) A systematic, detailed review conducted to ensure that each contract item or task is essential for performance, maintainability, reliability, or interchangeability. Its purpose is to eliminate or modify designs, processes, or material items in an effort to reduce over-all costs or increase performance.

2) A pricing mechanism or practice whereby each contract item or task is analyzed to ensure that it meets minimum acceptable performance criterion in the most cost effective manner.

**Synonym:** Value engineering



#### WEAPON SYSTEM

A final combination of subsystems, components, parts, and materials that make up an entity that may be used in combat either offensively or defensively to deter, destroy, and/or defeat enemy forces.

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